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# FINANCIAL TIMES

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Table of exchange rates for various countries including Canada, Japan, West Germany, France, etc.

World News

## Israel Labour turns down Likud offer of coalition

Israel's Labour Party, rebuffing its leader, Foreign Minister Shimon Peres, rejected an offer to form a coalition government with the Prime Minister, Yitzhak Shamir's right-wing Likud Party.

## Bangladesh cyclone

Bangladesh, still recovering from devastating floods which left 30,000 people dead, was battered by its worst cyclone in 20 years. The death toll may be as high as 5,000.

## Pakistan spy charge

India arrested Pakistan's military attaché, accusing him of espionage.

## Bhutto's path clear

Benazir Bhutto's main rival abandoned an attempt to form a Pakistan government, clearing the way for her nomination as first woman prime minister of a Muslim country.

## USS Nimetz fire

A sailor was killed and another seriously injured when a jet fighter on the US aircraft carrier Nimetz accidentally fired shots and set another aircraft on fire during routine maintenance.

## Two Sikhs face execution

Two Sikhs convicted of assassinating Indian Prime Minister Indira Gandhi in 1984 are due to be executed tomorrow at New Delhi's Tihar jail.

## 1987 reactor clues

Spanish space research company published satellite images showing the site of a Soviet nuclear accident at Kystym in the Urals said to have occurred in 1987.

## Kurd protest

Paris police arrested some 50 Turkish Kurds after violence broke out at a demonstration outside the hotel of visiting Turkish Prime Minister Turgut Ozal.

## Air crash charges

Tokyo police will refer a total of 20 people for prosecution in connection with the crash three years ago of a Japan Air Lines Boeing 747 in which 324 died.

## Walesa's TV plea

Solidarity leader Lech Walesa called for restoration of trade union freedoms in an impassioned television duel with Poland's Communist union chief.

## Marcos fit for trial

A doctor appointed by the US government has declared former Philippine president Ferdinand Marcos well enough to travel to New York to face arraignment on racketeering charges.

Business Summary

## Siemens seeks alliance with GEC

SIEMENS, the West German electronics group, is interested in extensive collaboration with the General Electric Company of the UK even if the two companies fail in their joint bid for Plessey, the British telecommunications and defence group.

## Coffee

COFFEE prices rose sharply on growing concern about tight supplies of robusta from Africa. The three-month contract closed at £1,096 a tonne.

## LONDON STOCK EXCHANGE

LONDON Stock Exchange has fined two securities houses for trying to falsify the market, according to Stock Exchange rules, by late trade reporting.

## TOMSON CSF, French state

French state aerospace company, and Aerospatiale, French state aerospace, are negotiating a merger of their military and civil flight electronics businesses to form Europe's biggest group in the sector.

## CABLE & Wireless, international

telecommunications group, launched a bid on the shares of Telephone Rentals, a telephone equipment supplier in which C and W is making a £30m (\$60m) takeover bid.

## MORGAN Grenfell Australia

Australian arm of the London merchant bank, is selling its operations in Australia still further by unexpectedly withdrawing altogether from stockbroking.

## GENERAL Electric and Union Carbide's

ambitious plan to merge their silicone-based chemicals operations into a \$70m worldwide business collapsed because of opposition from anti-trust authorities and management disagreements.

## YVES SAINT LAURENT is

planning a FF1.5bn (\$250m) capital increase which will also see Cerus, the French holding company of Mr Carlo De Benedetti, reduce by about one-third its stake in the famous French fashion and perfume group.

## RECORD-BREAKING takeover

for RJE Nabisco remained undecided as the company's management unexpectedly raised to \$109 a share the supposedly final bid they had submitted to the company.

## A.B.E. GALADARI Brothers,

Dubai-based company which is one of the leading diversified groups in the United Arab Emirates, signed an agreement with Dubai Bank on terms to repay a Dh400m (\$100m) loan.

## TOSEIRA, the Japanese

maker of electric and electronic goods, lifted consolidated net income for the first half ended September by 203 per cent to ¥53.4bn (\$457.7m).

## BEIDGESTONE, Japanese

tyre company, announced a \$1.5bn expansion plan for Firestone Tire & Rubber, the US group it bought earlier this year for \$2.6bn.

# World bankers urge open access to EC markets after 1992

By David Lascelles, Banking Editor, in London

A GROUP of world's leading bankers yesterday made the strongest public statement yet from the banking community about the European Community's plans for financial markets after 1992.

The bankers - who include Mr John Heimann, vice chairman of Merrill Lynch Capital Markets and head of its European operations, Sir Martin Jacobson, chairman of Barclays de Zoete Wedd, and Mr Dennis Weatherstone, president of J.P. Morgan - listed a series of basic principles they see as essential to ensure the Community's financial markets remain open to the rest of the world after the creation of the EC single market.

They urge the EC to end the uncertainty surrounding key issues on market unification, particularly on access and supervisory and regulatory principles.

The EC proposals are causing considerable controversy, mainly because of the proposal that non-EC institutions should be subjected to a reciprocity test before they can be admitted.

The banking world is worried that the 1992 plan could therefore restrict or exclude non-EC institutions from the market, mainly on grounds of reciprocity.

Although EC officials have recently tried to clarify these plans by stating reciprocity would not be applied to institutions already present in the Community, there is still concern among institutions outside the EC that the unified market will discriminate against non-EC banks.

Yesterday's initiative took the form of an open letter to Mr Gerry Corrigan, President of the New York Fed.

The bankers belong to the Fed's International Capital Markets Advisory Committee - a group of top commercial and investment bankers which was formed last year to advise the Fed on international matters.

"These matters will have an immediate and significant bearing on business plans for EC and non-EC financial firms alike, as well as for supervisory authorities around the world," they say. "Their resolution cannot be delayed until the early 1990s."

The committee puts forward four principles which they say should ensure that access to the market is fair and open, but prudently managed:

- Markets should be open to all suitably-qualified institutions, regardless of origin, with assurances that supervision and regulation "are not used as unwarranted barriers to effective competition."
- Reciprocity should not be applied on a "mirror image" basis under which access to the EC market would depend on Community institutions being granted identical privileges in the foreign market.
- Giving the same national treatment to all institutions modernising financial structures is the best way to improve competition.

## Lawson defends policy on £

By Peter Norman, Economics Correspondent, in London

MR Nigel Lawson, British Chancellor of the Exchequer, yesterday declared that the UK Government's anchor against inflation is its determination not to allow a devaluation of the pound.

Events since the spring, when he tried in vain to peg sterling to DM3.00, had led him to believe that a slightly higher exchange rate was now "appropriate," he added.

The Chancellor said that the strength of the British economy and the need to make British industry take a disciplined line in agreeing wage settlements had prompted his change of view since the spring. He recalled that the pound had been on an upward trend since the February 1987 Louvre Accord in which the Group of Seven leading industrial nations agreed to work for exchange rate stability.

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## Daimler chief urges European defence groups to build links

By David Marsh in Bonn

A CALL for European defence and aerospace companies to build up corporate links through a network of cross shareholdings has been made by Mr Edzard Reuter, chairman of Daimler-Benz, the West German motor and engineering group.

At the same time, he said there would probably need to be restructuring and job cuts at some activities of Messerschmitt-Bölkow-Blohm (MBB), the country's biggest aerospace group in which Daimler is poised to take a controlling 30 per cent stake in a deal approved by the federal Government last month.

"There are no plans for any dramatic decisions," he said in an interview with the Financial Times. "But it will be the task of the Aerospace group (Daimler's new division) to consider the structure of the whole group. In general I believe that in one or two places there will have to be closures."

He said the takeover, which would create one of the world's largest engineering and aerospace groups with an annual turnover of about DM90bn (\$46.2bn), was still not certain to go ahead. This was because talks had not yet been completed with West German state governments enabling Daimler to proceed with streamlining at some of MBB's 16 West German plants.

On European aerospace co-operation, Mr Reuter said: "I believe that this can be strengthened through company cross shareholdings, where one partner (Daimler) takes a stake in France or England, and the British and French take stakes in the German industry."

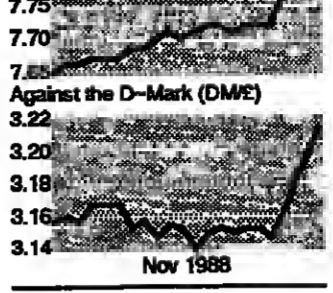
Mr Reuter said he would be exploring the possibility of cross shareholdings in the next few weeks in talks with Professor Roland Smith, chairman of British Aerospace.

BAe however is sceptical about the possibility of reciprocal shareholdings with Daimler. It pointed out that foreign shareholders already had a close, in close to the 15 per cent maximum set by the Government when the company was privatised in 1985.

Mr Reuter said his ideas on cross shareholdings in defence technology also extended to other companies, including Plessey, Marconi and General Electric Company in Britain. He was also in discussions with Aerospatiale, Saecma and Dassault in France, while such links with Fiat of Italy were also a possibility.

Additionally, Mr Reuter said Daimler would be exploring ways of buying more aerospace components from abroad as a means of offsetting the effects of the fall in the value of the dollar on MBB's civil airliner business.

## Washington backs early meeting of G7



## Washington backs early meeting of G7

By Peter Norman and Simon Holberton in London

FINANCE MINISTERS from the Group of Seven major industrialised countries have not yet decided if they will meet before next April, but the US is in favour of an early gathering.

A US Treasury official said yesterday the US favoured a meeting shortly after the inauguration of Mr George Bush as President in late January.

He stressed, however, that no firm date had been set and added that recent publicity of a meeting could undermine the chances of it occurring.

Neither is there full agreement among the G7 that such a meeting should take place.

Both Mr Pierre Bérégovoy, French Finance Minister, and Mr Gerhard Stoltenberg, West German Finance Minister, have come out in favour of an early meeting of the G7. The UK and Japanese, however, have reservations.

Mr Nigel Lawson, UK Chancellor of the Exchequer, said nearly three weeks ago he saw no reason for the G7 to meet before its scheduled April meeting in Washington, when the interim committee of the International Monetary Fund meets.

Mr Lawson is concerned that news of a meeting may raise expectations in financial markets.

The Japanese apparently have raised concerns over the timing of the proposed meeting because it is likely to coincide with parliamentary deliberations over the 1989-90 budget.

The US position is, however, that an early meeting of the G7 would be beneficial for two reasons. It would allow European and Japanese officials to meet Mr Bush's new team. It would also maintain the momentum of policy co-operation.

The US also believes a meeting would enable ministers

# Reformers in Estonia plan radical change

By John Lloyd, recently in Tallinn, Estonia

ESTONIAN reformers have drafted a radical package of political and economic measures for an Estonian currency, local immigration laws and a substantial development programme funded by Western borrowings.

The plan, commissioned by the Estonian Government, will be put before the Estonian Supreme Soviet (parliament) on Monday. Its adoption is certain to deepen the rift between the most recalcitrant of the Soviet Union's 15 states and Moscow.

Estonian leaders have so far refused to bow beneath the torrent of criticism which has been levelled at them in Moscow by Mr Mikhail Gorbachev, the Soviet leader. In a speech to the Presidium of the Supreme Soviet on Saturday, Mr Gorbachev said proposals for republican control of resources and on private property were anti-socialist and "a grave error."

But Mr Arnold Ruutel, the Estonian President, told the USSR Supreme Soviet, which is meeting in Moscow this week, that "there is nothing surprising that we have found our own vision to help us with our economic difficulties."

Many Estonians also believe that Monday's Soviet meeting in Tallinn, the republic's capital, will refuse to recognise the decision of the USSR Supreme Soviet to declare illegal its resolution to exercise a veto over USSR laws, passed two weeks ago.

Under the latest Estonian proposals, known as IME, all Soviet state property, land and enterprises would be transferred to the Estonian Soviet.

Other provisions envisage encouraging private, as well as co-operative and state ownership, the emergence of an Estonian currency, an immigration law which would curtail the rights of other Soviet citizens to settle permanently in the republic and hefty borrowings from the West to fund the rapid development of a technologically advanced infrastructure.

In addition, the Estonian foreign ministry is pursuing a proposal to establish its own consulate in Stockholm, Sweden, and is considering a similar move in Helsinki, the Finnish capital.

The reformers who have drafted the IME plan are enthusiastic to forge new links with Scandinavian countries and other Baltic republics.

## Hopes increase for arms negotiations

Britain and France believe that the Soviet Union might agree to begin talks on reducing conventional arms throughout Europe without a prior decision on whether a conference on human rights should be held in Moscow.

## Mr Arvo Kuddo, an economist and demographer at the Estonian Academy of Sciences

institute for the Economy, and one of the main authors of the drafting group estimated Estonia would need to borrow some EStn (\$11.8bn) from Western banks to fund an industrial restructuring programme to re-equip ailing heavy industry and set up new light - especially electronic - industries.

## At the same time Estonia would attempt to increase greatly its trade with the West - at present only 3 per cent of Estonian products are sold abroad.

Mr Kuddo said that an Estonian currency, fully convertible, was necessary to the plan.

His surveys of Estonian demography have shown that the proportion of Estonians in the republic has fallen to just over 60 per cent, from a level of the last census, in 1979. He said that "an immigration policy is essential if we wish to retain the national character of the republic."

Mr Kuddo said that education, medical and welfare policies should be entirely in the republic's hands, with Estonia envisaged as the state man envisaged in the curriculum decided in Tallinn rather than, as now, in Moscow with limited local discretion.

He stressed that the plan "can only be implemented in whole, not in parts."

### MARKETS

Table of market data including COPENHAGEN SE Composite index, STERLING, STOCK INDICES, DOLLAR, and GERMANY.

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# Brazil clashes with World Bank over nuclear energy

By Ivo Dawnya in Rio de Janeiro

TALES between Brazil and the World Bank are deadlocked over conditions attached to a controversial \$500m power sector loan to which a further \$1,650m financing is linked. The row centres on Brazil's decision to absorb its nuclear energy programme into its strategic plan for electricity supply - a move the Bank claims would breach its condition only to finance the most economically efficient development plan.

The power sector loan, the second of two \$500m tranches aimed at reordering the finances of the heavily indebted Brazilian state company, Eletrobras, had been near to completion last September. However, it was then that Brazil announced plans to phase the state nuclear company, Nuclebras, under Eletrobras's control.

This move met immediate objections from the bank on the grounds that new assessments would have to be made as to the technical, economic, financial and environmental efficiency of the overall plan. In fact, the Bank - increasingly under pressure from environmentalists - has never made a loan to any country's

Brazil's crippling inflation rate edged down to 26.9 per cent in November from 27.25 per cent the previous month, writes Ivo Dawnya.

This marginal improvement has failed to reach the 26.5 per cent target rate set in the tripartite social pact, agreed last month between government, unions and employers.

Nevertheless, it offers the government some relief after alarmist forecasts of more than 30 per cent.

Under the pact, union leaders have agreed to wage indexation in return for business observing a ceiling of 26.5 per cent this month on price rises for essential goods and services.

nuclear industry. Furthermore, there are serious doubts as to the viability of Brazil's nuclear programme that has cost billions of dollars for little return in electricity generation.

But the official objection of the Bank is focussed on the judgement that developing nuclear power is not the most efficient use of scarce resources for Brazil. Taking a "last-cost" approach to restor-

ing Eletrobras's financial outlook was "the fundamental lynch-pin" to approving the loan, the Bank said yesterday.

The disagreement has left some difficult choices for Brazil. It can accept a humiliating climbdown, or stick to its position and attempt vainly to prove the value of a nuclear programme most analysts regard as too costly.

A payment under the loan was a necessary condition for commercial banks to disburse the second of three drawdowns - which together would total \$520m in new loans - under a debt rescheduling accord agreed mid-year and activated in September. This drawdown cannot now be made before next year.

This payment of \$500m, was originally scheduled for December with the final \$500m drawdown due later next year. Also at stake is a further \$450m in Japanese co-financing for the Brazilian electricity sector, dependent on agreement on the World Bank's criteria. It is possible however that the terms of the rescheduling agreement could be adjusted to allow the drawdowns to take place on the back of other World Bank lending.

# Ecuador to resume talks with creditors

By Stephen Fidler, Euromarkets Correspondent

ECUADOR'S foreign debt negotiators are to meet the country's leading commercial bank creditors today in New York to discuss a possible new money and rescheduling package. Negotiations with banks broke down earlier this year.

The Ecuadorian team, headed by Mr Jorge Gallardo, the Finance Minister, is due to meet a 14-bank steering committee today after preliminary discussions yesterday with representatives of the two leading banks, Lloyds and Chase Manhattan.

Ecuador has arrears to bank creditors estimated at \$800m by the end of this year. After commitments to a \$350m new money loan failed to reach the target, Ecuador aborted negotiations with banks in the summer. In a surprise move in October, Mr Gallardo said that he would approach the International Monetary Fund for a standby credit to support an emergency economic plan announced on August 30. He also said talks to renegotiate its \$6bn of medium and long-term debt to banks would start in November.

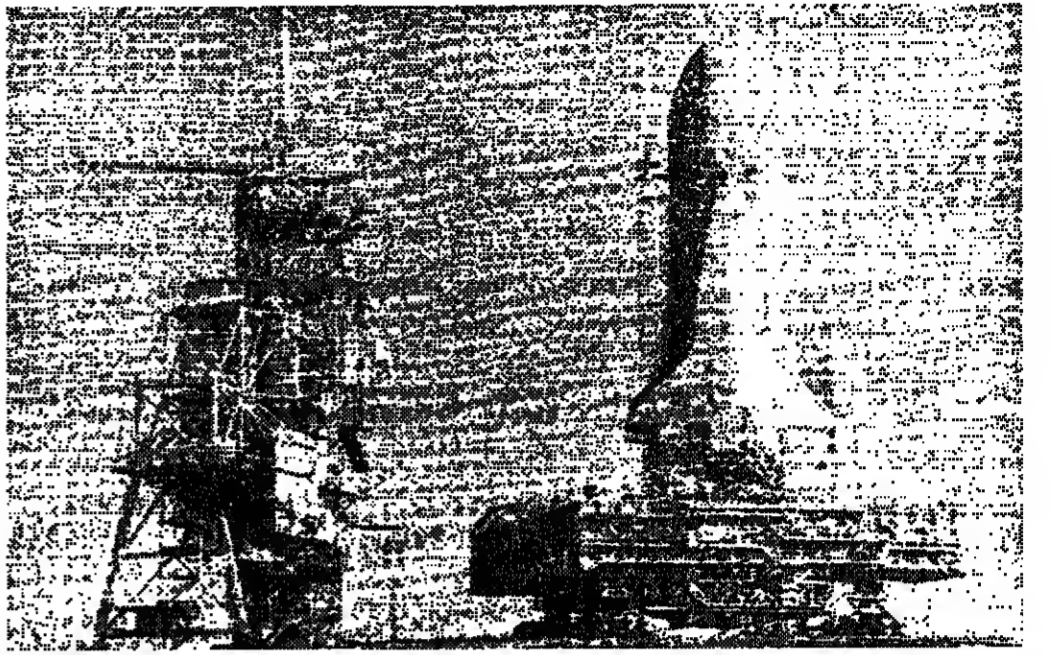
Bankers estimate that Ecuador needs about \$600m in new funds to cover the years 1987-1989 and some believe that new funding on this scale would require, not only some kind of IMF accord, but a wide-ranging menu of options of creditors, including the opportunity for debt swaps and an option to capitalise interest.

US banks have vigorously opposed interest capitalisation as an option and have successfully blocked its inclusion in the giant rescheduling deal recently settled for Brazil.

Argentina's debt negotiators, headed by José Luis Machinea, the central bank president, are due in New York on Monday to meet its main bank lenders, headed by Citibank. Bankers expect they will presented with a proposed term sheet from the Argentinians. Mr Machinea is also expected to visit Washington for talks with officials from the IMF and World Bank.

# Mystery surrounds shuttle's cargo

The military is making greater use of NASA's vehicle to launch its satellites, but for how much longer, asks Peter Marsh



The US space shuttle Atlantis being rolled out to its launch pad

AN EERIE guessing game has started among US space analysts over what the next flight of the US space shuttle fleet - which is due to start today - is carrying into orbit.

There has been speculation that Atlantis, one of the three vehicles in the fleet, may be about to launch a new generation of spy satellites, denoted the KH-12 series, that would be able to spot objects on the Earth's surface less than one foot in diameter.

The US National Aeronautics and Space Administration, the shuttle's operator, is, however, saying nothing about the payload other than it is a secret military satellite, owned by the US Defence Department. The military nature of the flight is a prelude to what will be a large involvement of the Defence Department in shuttle missions over the next two years.

Of the 18 shuttle voyages scheduled for 1989 and 1990, no fewer than seven will be missions on behalf of the Pentagon.

This interest by the Defence Department in using the shuttle may not, according to observers, last for very long. They claim that sections of the military establishment are disillusioned with the shuttle fleet due to its unreliability and high cost.

The official silence over the Atlantis flight - which is likely to be repeated for other shuttle trips involving military exercises - is in startling contrast to the hubbub of publicity stirred by the most recent space-shuttle flight two months ago.

On that occasion, which marked the return to service of the shuttles after nearly three years of inaction caused by the Challenger disaster of January

1986, Nasa went out of its way to tell the world every conceivable detail about the mission.

Nasa is slightly embarrassed about its inability to be more forthcoming about the latest flight, which is expected to last about three days.

One Nasa public relations officer said he would probably be authorised to say nothing at all about the mission during its entire duration - other than to say that Atlantis had taken off and landed.

The lack of details about the flight, which is carrying a crew of five military officers, is justified on the basis that the Pentagon wants to minimise the amount of information on its space hardware that it gives away to the Soviet Union.

Professor William Burrows of New York University, who is an authority on spy satellites, pointed out, however, that it should be possible to deduce the nature of the payload within just a few hours after the launch.

This was on the basis that an analysis of the orbit in which the satellite ends up - which amateur space watchers can find out about fairly easily using their own tracking equipment - would reveal which type of payload it was.

Prof Burrows said he believed the payload might be a KH-12 photographic spy satellite which would fly in an orbit about 150 miles above the Earth that would take it over

most of the Soviet Union. The KH-12 series of vehicles, being built by Lockheed, are replacements for an earlier generation of so-called KH-11 spy vehicles built by TRW.

KH-12 satellites are said to have a better resolution than their predecessors and also to be able to "see" in the dark using advanced infra-red sensors.

Mr John Pike, associate administrator for space policy at the Washington-based Federation of American Scientists, disagreed about the likely identity of the payload.

He said he thought it was a new type of surveillance satellite, code-named Lacrosse, which, rather than take photographs of objects on the Earth, fires radar waves at them and gathers the reflections. This method can be used to build up extremely detailed radar "pictures".

One of the jobs of Lacrosse, which could be expected to fly in an orbit some 3,000 miles above the Earth, would be to collect information about possible military targets in the USSR.

A third possibility, so observers believe, is that the mystery payload is neither Lacrosse nor a KH-12 but a third type of vehicle belonging to the Magnum series. The job of Magnum is to act as a listening post in the sky, picking up

electronic signals that might divulge secrets related to the military activities of the Soviet Union and other countries.

Compared to unmanned, expendable rockets such as the Titan and Atlas-Centaur, the shuttle fleet has some advantages to operators of military satellites because a crew can intervene to correct any minor defects involving these payloads before they are ejected from a shuttle's payload bay.

Furthermore, a shuttle can lift into an orbit some 200 miles above the Earth a payload of roughly 20 tonnes, far in excess of the capability of conventional expendable rockets used by the Pentagon such as the Titan and Atlas-Centaur.

Against this, however, is the military establishment's growing disenchantment with the space-shuttle fleet due to its lack of reliability - as was starkly manifested by the Challenger accident - and high cost.

According to Professor John Logsdon, a space policy expert at George Washington University, the large numbers of military-related shuttle flights over the next two years are due to the past interest by the military in the shuttle's capabilities. The number of Defence Department missions would fall off rapidly into the 1990s, said Prof Logsdon, as it started to launch more of its satellites using conventional rockets like the Titan.

# US incomes rise 1.8% in October

US PERSONAL incomes rose 1.8 per cent in October, boosted by heavy subsidy payments which raised farm incomes by more than 75 per cent, and large production bonuses to car workers, writes Anthony Harza in Washington.

The Commerce Department said the higher incomes helped boost the savings rate to 5.25 per cent, the highest figure since the 5.4 per cent one year ago, in the wake of the stock market crash.

Consumer spending remained subdued, rising by 0.3 per cent in real terms over September, which had shown a 0.4 per cent fall from the August figure. In money terms, spending rose by 0.8 per cent, the implied rise in consumer prices was 0.5 per cent - an annual rate of 0.2 per cent - for the second successive month.

# Alfonsin and Sarney step closer to common market

By Gary Mead in Buenos Aires

PRESIDENTS Raul Alfonsin of Argentina and Jose Sarney of Brazil have signed further accords aimed at achieving a common market between the two countries by 1998. They also signed the "Exalta Declaration", reaffirming their intention to work together on nuclear energy development.

The two have already agreed to co-operate in high technology, preferential treatment in farm and industrial spheres, improvement of energy and transport links, and to balancing trade so that neither would become a specialised producer of goods for the other.

They have now agreed to remove all tariff and non-tariff barriers over the next ten years and to set up a Joint Government committee to oversee

harmonisation of economic policies. The agreements have to be approved by the congresses of both countries.

The agreement, which continues moves to create a Latin American common market, is of particular interest to Argentina as it has a trade deficit with Brazil of \$400m. To help redress this the accord promises a gas pipeline to Brazil to supply 3m cu metres of natural gas a year.

On nuclear energy, the two countries will continue to exchange research and information, with a view to promoting their capacity to develop their nuclear abilities. President Sarney yesterday visited Argentina's secret nuclear enrichment plant at Bexira, 20 miles from Buenos Aires.

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MONTREAL TRADE TALKS

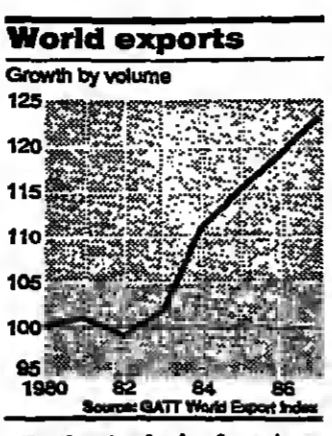
Peter Montagnon and William Dullforce examine the main issues facing ministers at next week's mid-term review of the Uruguay Round

Brinkmanship throws the outcome into question

THE hundred or so trade ministers due to meet in Montreal next week for their mid-term review of the Uruguay Round of multilateral trade liberalisation have until 6pm on Friday to keep the spirit of liberal trade alive.

By that deadline removal men are due to move into the city's lavish congress centre and turn it into a discotheque for an altogether different kind of meeting. At that point, agreement or no agreement, the ministers will have to leave.

world exports have grown in volume by a respectable 5 per cent or so. It is also being convened amid increasingly loud complaints from developing countries that, once again, their aspirations are being ignored.



By the standards of previous rounds, the Uruguay Round has achieved considerable technical progress at its halfway stage, but much substantial work remains. Key points are outlined in the articles below.

twilight zone between legality and illegality under international rules. These will have to wait for the second half of the round.

task of unravelling a spider's web of interlinkages spun between the 15 different negotiating subjects by countries manoeuvring for tactical advantage.

World tropical products to progress on agriculture. Some negotiators claim to see a US-Asian thread between tropical products and intellectual property.



or die a lingering death. Somehow the ministers have to try to ensure that their final communiqué is not so empty and meaningless that it disappoints those banking on an expanded and resurgent multilateral trading system to counter the creeping spread of protectionism.

Signs of progress on yardsticks for liberalising services

GETTING to grips with the rapid growth of international trade in services is widely recognised as one of the most ambitious and important objectives of the Uruguay Round.

covers many of the developmental compatibility issues that have bedevilled the talks so far because of the US reluctance to take them on board.

Tropical products in the balance

TROPICAL products are an item on which it is imperative that trade ministers produce a result at Montreal. Failure here would convince the developing countries that their interests are being disregarded.

Agriculture the make-or-break issue amid dispute over goals for long-term reform

AGRICULTURE is the make-or-break issue for the Montreal meeting. The nub is whether US and European Community ministers can use the mid-term review to reconcile their totally different interpretations of the long-term objective for the reform of agricultural trade and preserve the credibility of the talks.



Clayton Yeutter, who sees the EC's Common Agricultural Policy as a barrier to imports from the US

is that the Community can envisage negotiations on a "concerted and significant reduction" in support. The reduction would have to be accompanied by measures to reduce existing imbalances between countries' support systems.

Intellectual property talks stalled

ONE OF the most severe tests for the trade ministers at Montreal is to unlock the talks on intellectual property rights (IPR). They are stalled by an eyeball-to-eyeball confrontation between the US and an increasingly numerous Third World group over the legitimacy of incorporating IPR matters into Gatt and over the scope of any eventual deal.

Ministers prepare to tighten disputes mechanism



Arthur Dunkel, question of Gatt's wider role

A NEW system of monitoring Gatt member countries' trade policies and improvements to its dispute settlement system could come into operation next year, if ministers accept proposals submitted to them by their negotiators in advance of the Montreal meeting.

Little room for further cuts in tariffs

NEGOTIATING tariff reductions has always been one of the tasks that Gatt does best. Average tariffs applied by industrial countries on their imports are now only around 5 per cent compared with some 40 per cent when it was founded in 1947.

World exports

By the standards of previous rounds, the Uruguay Round has achieved considerable technical progress at its halfway stage, but much substantial work remains. Key points are outlined in the articles below.

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WORLD TRADE NEWS

Yeutter hits at trade in services document

By Nancy Donne in Washington

MR Clayton Yeutter, the US Trade Representative, yesterday criticised the final document produced by negotiators in Geneva for talks on trade in services...

"It is the worst document I've ever seen to come to a ministerial meeting," he declared.

"There is almost no language that is unbracketed and in some cases there are two or three or four sets of brackets..."

Documents are being presented by the 15 negotiating groups on issues being addressed in the current round of talks within the General Agreement on Tariffs and Trade.

Mr Yeutter stressed the necessity of agreeing on procedures for discussions on trade in services in the final two years of the negotiations.

"We have a significant task ahead of us," he said.

The US side had been misrepresented in Europe. "We have never said all agriculture subsidies must go," Mr Yeutter declared.

David Buchan adds from Brussels: "The EC will make a bid for third world support in next week's high-level Gatt trade talks in Montreal..."

Mr Willy De Clercq, the EC external affairs commissioner, warned that tropical products were "a test of goodwill" for developing countries.

The EC is ready to cut or eliminate excise and tariff duties on tropical imports by its 12 member-states, but will not detail its offer until it sees what other industrialised countries are prepared to put on the table at Montreal.

Ceasefire in battle over introduction of digital audio tapes

By Hugo Dixon

THE consumer electronics and recording industries have reached a ceasefire in their long-running battle over the introduction of digital audio tape, the next generation of recording technology.

At a meeting in London yesterday, representatives of international record companies and European and Japanese electronics manufacturers agreed to set up a working group to find a solution to the complex copyright issues...

The solution to the controversy is likely to centre on fitting DAT machines with a device that would prevent them from making more than one copy from a compact disc.

Mr David Fine, president of Polygram UK, the record company, said there was now a willingness to solve the problem. He described yesterday's meeting as a "vast improvement on Vancouver".

The high quality of DAT, which can make almost perfect copies of equally high-quality compact discs, is the source of the dispute.

Mr Fine refused to be drawn on how long it would take to produce a solution, except to say that the issue would be resolved "in the fullness of time".

Argentine telephone plan may reinforce monopoly

By Gary Mead in Buenos Aires

DETAILS of Argentina's plan to sell off 40 per cent of its state-owned telephone company, ENTEL, to Spain's Telefonica have been leaked by one of the country's leading financial newspapers, El Cronista Comercial.

The report suggests that far from deregulating the national telephone network and opening it out to increased competition, the future merged corporation will reinforce ENTEL's previously almost total monopoly.

According to the report, Telefonica will be granted a 25 year concession, during which it will merge with ENTEL, and the newly-formed company be guaranteed exclusive rights over a wide range of telecommunication services.

These include not only installation and maintenance of telephone lines but also telex, fax, all data transmission facilities and exclusive control over public television signals.

Fokker revs up for a rising demand

The Dutch aircraft maker is planning a production boost, Michael Donne reports

FOKKER, the Netherlands aircraft manufacturer, is planning to increase production of both its current aircraft, the 109-seater Type 100 twin-engine jet airliner and the 50-seater Type 50 twin-engine turbo-propeller aircraft.

The company is just completing a financial reorganisation involving a three-for-two rights issue raising over Fl 300m (580m) and the production boost will initially be centred on Schiphol, Amsterdam, where the aircraft are assembled.

All these plans will bring additional business to UK aerospace companies, for both the Fokker 100 and 50 are international aircraft with substantial British and other foreign content.

The Fokker 100 uses the Rolls-Royce Tay turbo-fan jet engines and wings built by Short Brothers of Belfast, while the Fokker 50 uses Dowty Rotol propellers and landing gear, and both aircraft use much other UK-built equipment and components...

The increased production is in response to rising demand for the two aircraft, which in turn is due to several factors.

The first is that earlier models of pressurised short-to-medium range jet and turbo-prop airliners (including the Fokker F-28 twin-jet and Fokker F-27 twin turbo-prop) are ageing, and demand for new models with lower noise levels, reduced pollutant emissions and improved fuel consumption is increasing.

The second main reason is the change in the pattern of demand for such types of aircraft. World-wide, there is an accelerating trend to deregulation and liberalisation, which in turn is resulting in increased "hub and spoke" operations from smaller regional airports both in North America and Western Europe.

At the same time, there is a parallel development of many direct new routes between smaller towns and cities, to meet a demand from an emerging generation of "commuter" air travellers, demanding cheaper fares and in turn calling for smaller, more economic aircraft.

The net effect is to create a likely demand over the next 15 years for around 1,500 airliners in the small twin-engine 100-seater jetliner category, of which Fokker believes it can win about 30 per cent, or around 500 aircraft, with its Type 100.

But the competition is formidable. Fokker is one of only five jet airliner manufacturers in the world, the others being British Aerospace, Airbus in Western Europe, and Boeing and McDonnell-Douglas in the US.

Three of these have direct competitors for the Fokker 100 - the British Aerospace 146 four-engine regional jetliner, the US Boeing 737-500 and the McDonnell Douglas MD-87.

Other competitive possibilities now emerging are from re-engineered DC-9s and British One-11s (also using Rolls-Royce Tay engines), while on the long-hauler horizon lies the revolutionary fuel-efficient prop-fan MD-91 and MD-92 airliners now being developed by McDonnell-Douglas and General Electric of the US.

Current orders for the Fokker 100 stand at 118 aircraft firm with another 88 on option, a total of 206. From deliveries of only 14 aircraft in 1988, production in 1989 will amount to 33 aircraft, rising to 39 in 1990 and 46 in 1991, the maximum achievable with present assembly facilities.

But further increases to up to 60-70 aircraft a year are possible with additional facilities, including another final assembly line, requiring new investment of some Fl 250m (470m).

Production in the US would also help to achieve this total, depending on the volume of new orders for the aircraft emerging from the US market in the 1990s.

The talks with Lockheed are not yet completed, but both sides are confident of an ultimate agreement.

Fokker is not only expanding production of the Type 100, however, but is also contemplating a family of types including both a smaller model with a reduced fuselage, and a stretched version with an extended fuselage, along with a combination passenger and cargo model (a "combi").

This expansion plan will be materially enhanced by the decision of Rolls-Royce to offer a higher-powered version of the Tay engine, the model 670, with thrust of up to 18,000 lbs. Competition in the market for twin-engine turbo-propeller airliners is also increasing. Fokker foresees a world demand for some 1,200 aircraft in this category.

Ranged against the Fokker 50 are the Franco-Italian ATR-42 and ATR-72, the British Aerospace Advanced Turbo-prop (ATP) and the Boeing/De Havilland Canada Dash 8 Series 300, all twin turbo-prop airliners.

Orders for the Fokker 50 stand at 83 firm and 29 on option, a total of 112. Initial production was 24 aircraft a year, but the current rate is 30 a year, and it is being raised to 33 a year. Potential maximum production on the present assembly line is 39 aircraft a year, and to go beyond that will also need additional facilities.

There are at present no plans for US production of this aircraft.

Fokker is also considering a family of variants for the Type 50, including a stretched model, a military variant and a combination passenger/cargo version.

The cash for these ambitious plans will come from the company's capital reconstruction undertaken over recent months. This reconstruction not only reflects the higher level of activity within the company, but also enables the Dutch Government to increase its stake in the Fokker equity to more than 32 per cent.

As the prospectus for the recent three-for-two rights issue pointed out, with an order book valued at end-October at Fl 6.2bn (£1.78bn), the increase in production now planned are unprecedented in Fokker's history.

Shipping lines call on Brussels for protection

By William Dawkins in Brussels

EUROPEAN shipping lines yesterday called on Brussels to give them extra protection against mounting competition from low-cost Asian and Eastern bloc competitors.

A report by the European federation of shipowners (Caace) asks the Brussels authorities to set common rules on tax incentives for shipping lines and to hasten plans, being considered in the Commission, for an EC flag.

Caace calls for shipowners in all member-states to be permitted to write down the cost of acquiring vessels against tax, for tax exemptions for a proportion of profits and for a general cut in tax rates on profits from international shipping.

It also asks for cuts in employers' tax and national insurance contributions and exemption from income tax for crews while at sea.

Such measures are essential to halt the EC fleet's declining share of world shipping in the face of persistent surplus tonnage and price undercutting from subsidised Eastern bloc and Far Eastern lines, the federation argues.

It estimates the EC's share of world tonnage has almost halved from 31 per cent in 1978 to 16 per cent at the end of 1987.

Ferranti aims to share in Nato systems order

AERITALIA of Italy, Ferranti International Signal of Britain and General Electric of the US have agreed they would work together to develop a military intelligence system designed to meet Nato requirements in the 1990s, Renter reports from Rome.

Mr Philip Burton, Ferranti general manager, said Nato would invite bids soon to develop its new Battlefield Information Collection and Exploitation Systems (BICES), to integrate military intelligence throughout the alliance.

The group would complete a pilot study draft in 1989 and present its first BICES bid to Nato in 1990, he added.

Franco-US partnership in Japan air engine deal

By Stefan Wagstyl in Tokyo

CFM INTERNATIONAL, a Franco-American partnership, has beaten International Aero Engines, a five-nation consortium including Britain, to a Y300m (£130m) jet engine contract for All Nippon Airways, the Japanese airline.

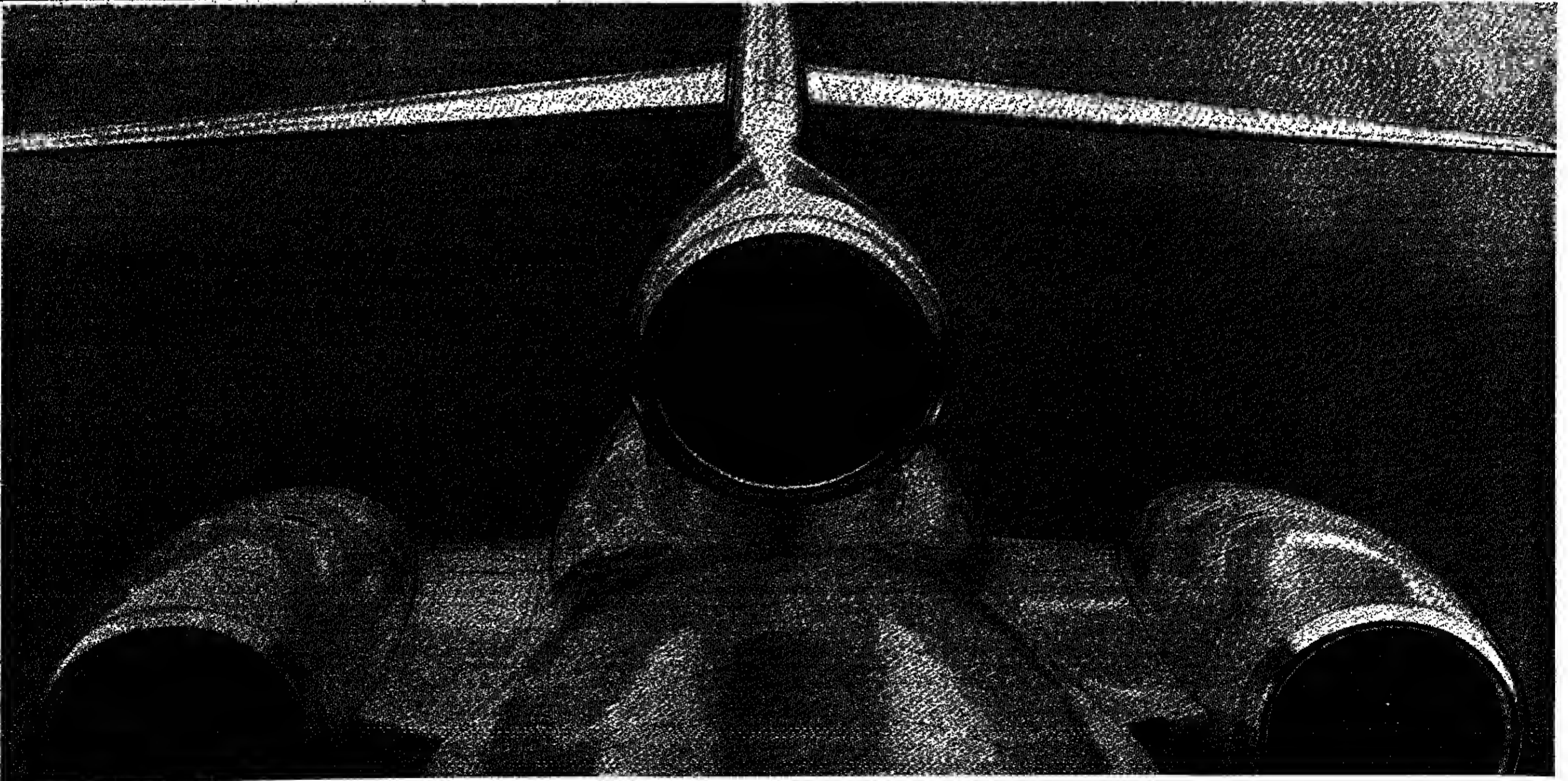
All Nippon said yesterday it preferred the CFM56-6 engine to the V2500 developed by International Aero Engines, a group which includes Rolls-Royce, the British engineering group.

It is buying 20 engines for a new fleet of Airbus Industrie A320-300 aircraft due to go into service from 1990. The decision

has sent shock waves through the Japanese aviation industry and the Ministry of International Trade and Industry, which has put Y50bn of subsidies into the V2500 project.

Three Japanese engineering companies - Ishikawajima Harima Heavy Industries, Kawasaki Heavy Industries and Mitsubishi Heavy Industries - together have a 23 per cent interest in the V2500.

All Nippon said it chose the engine developed by CFM - a partnership of General Electric of the US and Snecma of France - because it had been in service longer than the V2500.



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keep in mind the importance of the on-board electronics of a long-range aircraft.

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the Falcon 50 and 900.



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EUROPEAN NEWS

Support for Soviet constitutional changes still in doubt

By Quentin Peel in Moscow

DEPUTIES of the Supreme Soviet of the USSR were last night negotiating final amendments to the constitutional reforms proposed by Mr Mikhail Gorbachev after renewed calls to make them more democratic.

speaking in the debate yesterday pledged strong support for the reforms, which are intended to create a new super-parliament, above the Supreme Soviet, and bring more democracy to Soviet elections.

being roundly attacked by the majority of Soviet delegates for threatening the very foundations of the Soviet state.

he said that Estonia opposed the idea of creating a new Congress of People's Deputies in the republic, as in the USSR as a whole, and wanted instead to have a directly elected Supreme Soviet.

tyug, president of the Siberian branch of the Soviet Academy of Sciences, accused the deputies in the Supreme Soviet of lagging behind the public debate on the constitution.

"Our co-citizens want to participate personally and directly in the decision-making process," he said. It was also a reason for criticising plans to allocate one-third of the seats in the Congress to representatives of "public organisations" such as the Communist party and its affiliated trade unions.

gate from the republic warned that heated discussions in the street were taking place on key questions like the promotion of national culture and the national language - and it was the next most urgent problem to tackle.

Eleven killed in Armenia as inter-ethnic violence spills over from Azerbaijan

ELEVEN PEOPLE were killed in Armenia over the past week in inter-ethnic violence spilling over from the neighbouring republic of Azerbaijan, the official Armenian news agency said yesterday, Reuter reports.

taken to the hills to fight "a partisan war". The deaths included two reported earlier in Goris and Kalimno. Eight people, including three soldiers, died last week in Kirovabad after Azeri gangs began a series of attacks on the Armenian minority in the city.

centres had been set up. They were being sent to various parts of the republic where they were being provided with temporary accommodation.

accused the Azerbaijani authorities of forcibly deporting Armenians. "They are being put on buses, just as they are, with no chance to get extra clothes or money, and driven to the border," he said.

EC plan to cut noise by aircraft

By Tim Dickson in Brussels

THE NOISE level of jets taking off and landing at European airports should be turned down a little if a proposal for quieter aircraft put forward yesterday by the European Commission is adopted by member states.



SUMMIT ON THE MOUNT: President Mitterrand and Mrs Thatcher pictured yesterday before their talks at Mont St Michel.

The plan lays down that EC airlines from November 1, 1990 would not be allowed to lease or buy second-hand aircraft from outside the EC which did not meet the most up-to-date noise standards.

EC-wide alcohol limits for drivers proposed

By Tim Dickson in Brussels

COMMON EC limits for "drink driving" and new Community rules for driving licences are among the key elements of a package unveiled by the European Commission yesterday aimed at boosting road safety.

ml of blood, to be introduced from 1993. This would tighten up the limit in most member states which currently apply 0.5mg per ml and "would take account of the susceptibility of young drivers or infrequent drinkers whose faculties can be affected at such levels".

Former Montedison chief to head Italian state railways

By John Wyles in Rome

MR MARIO SCHIMBERNI, the former Montedison chairman with an international reputation for rebuilding ailing companies, yesterday took on one of the greatest managerial challenges of the decade by heading the Italian state railways.

tedison chairman will stay on as president after the new law is passed providing he has the political support he will need.

become too big for any private company he could not control. At the Fs he will have a job of great national importance: its payroll of 215,000 is second only to that of Fiat, and, like Fiat at the beginning of this decade, it needs to shed around 50,000 workers to approach average European productivity levels for its industry.

Finns to cut base rate next month

By Olli Virtanen in Helsinki

THE BANK of Finland yesterday decided to lower its base rate from January 1 by 0.5 percentage points to 7.5 per cent.

New controls on irradiation of food proposed

By William Dawkins

CONTROLS on the use of irradiation to sterilise food in the EC were adopted yesterday by the European Commission.

Second inquiry launched into Tubemeuse subsidies

By William Dawkins in Brussels

THE EUROPEAN Commission yesterday launched its second inquiry in the past two years into possibly illicit state subsidies for Tubemeuse, a loss-making Belgian steel tube producer.

cially high prices, said Commission officials. This was likely to give it unfair advantages over competitors in a market burdened with surplus capacity.

Poles likely to set 50 per cent inflation target for next year

By Christopher Bobinski in Warsaw

POLISH ECONOMIC policy next year is likely to concentrate on bringing down the rate of inflation to an annual 50 per cent from this year's 70 per cent level, while retaining state subsidies and a 6 per cent budget deficit, according to senior government officials.

domestic prices within reach of world price levels in two years. Both variants under consideration include higher energy prices, an end to petrol and coal rationing and a start to the lifting of meat rationing around the middle of the year.

more in line with inflation. December should see a legislative marathon in Parliament, with the Government wanting to push through changes in banking and foreign currency regulations, a new foreign investment law, and simpler procedures for setting up state and private sector companies.

Dubliners depressed under a descending curtain of smog

Ireland's clean and green image is threatened by the deteriorating condition of its environment, argues Kieran Cooke

ON many recent nights, a walk through Dublin has been like stepping back into Victorian times. A yellow haze clouds the sky. People appear out of the smog, their faces covered with scarves. Sherlock Holmes and Jack the Ripper would feel at home in Dublin, with a population of 500,000, has the worst smog of any city in western Europe.

smoke from many thousands of coal burning home fires. Smog is particularly bad when there is what meteorologists call a temperature inversion, with cold and smoke filled air trapped by warm air above.

ers to convert to smokeless and other fuels. Critics say the Irish Government should at least ban smoggy, autumnal coal at times when climatic conditions make smog likely. It should also make more funds available for fuel conversions and encourage the use of smokeless fuels by offering public subsidies.

of 200,000 households in the city and is being implemented over a period of six months, thus bringing no net improvement in smog levels this winter.

More broadly, the smog problem belies Ireland's image as a healthy, pollution free environment. Environmental groups are calling for action on a number of fronts.

Farmers who had seen their incomes rise with Ireland's entry into the EC built new bungalows in the countryside. Many of these were constructed with little or no consideration for the environment.

The Irish blame the nuclear power plant at Ballyfield in northern England for turning the Irish Sea into what is described as the most radioactive stretch of water in the world. Yet Dublin Bay is polluted by many thousands of tons of raw sewage discharged into it every year.



Ireland

Koskotas affair may halt US bases talks

By Andriana Ierodiakonou in Athens

THE ARREST in the United States of Mr George Koskotas, the fugitive Greek banker and press baron, may lead Athens to suspend negotiations with Washington on the future of the four American bases in Greece.

Mr Koskotas fled Greece in early November after being accused of multi-million dollar fraud.

After a brief stay in Brazil he arrived last week in the US, where he was arrested. Alleging that the Koskotas affair was a CIA plot to bring down the Government, and predicting that Athens would suspend the negotiations on the bases as a way of exerting pressure on the US to extradite Mr Koskotas.

The link between the Koskotas case and the bases issue emerged during an analysis of the political crisis into which the affair has plunged Greece, delivered yesterday by Mr Andreas Papandreu, the Prime Minister, at a stormy meeting of Socialist party cadres.

According to the state radio, Mr Papandreu assured the gathering that he possessed incontrovertible evidence showing that the Koskotas affair was part of a plan to overthrow the Socialist Government.

He did not provide details of that evidence, however. At the same time he said that a temporary suspension of the US bases negotiations, for political reasons, was not to be ruled out.

The Prime Minister did not elaborate on these reasons. But his remarks fell into perfect line with scenarios advanced by pro-Government newspapers in recent days, alleging that the Koskotas affair was a CIA plot to bring down the Government, and predicting that Athens would suspend the negotiations on the bases as a way of exerting pressure on the US to extradite Mr Koskotas.

The Socialists' bid to implicate the US, however, has so far gained little ground with public opinion, while it has been ridiculed by the opposition.

Meanwhile, yesterday's party meeting revealed intense internal dissent over Mr Papandreu's handling of the Koskotas crisis.

Senior party members are displeased with the fact that he has not removed the bases from the Government associated with the scandal.

Capacity use in West Germany highest since 1973

WEST GERMANY could not stimulate domestic demand any further to reduce its large trade surplus because the country's capacity utilisation has reached its limit, said Otho Pöhl, the Bundesbank president, said yesterday, Reuter reports from Frankfurt.

In a radio interview with Westdeutsche Rundfunk, Mr Pöhl said utilisation has risen to the highest level since 1973.

"If we were to increase domestic demand further, we would inevitably get problems with inflation," he said. "One has to look for other possibilities" to deal with the trade surplus.

He did not specify what those other possibilities were. Mr Pöhl predicted a new record trade surplus of DM120bn-DM130bn (£37.5bn-£40.5bn) for the year, up from DM117.5bn in 1987.

West Germany's present economic conditions were "not optimal," he said. "I expect that this trend will continue in the foreseeable future," he added.

While West Germany still had to improve its international competitiveness, the massive trade surplus was a sign that the country was well capable of competing, he said.

The Bundesbank chief added that the recent rise in US interest rates, which fitted into the general economic situation, was not likely to have much impact on West German interest rates.

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EUROPEAN NEWS

Too many holidays in Spain

There will be a lot of days off next week, reports Tom Burns

JUST WHO IS working in Spain on a given day of the year is at the best of times mystifying. The situation will be worse next week when the *vacaciones* image is destined to go from the sublime to the ridiculous. "What is happening," said one Barcelona businessman, "is a barbaric, something barbaric. I don't know who will be working where next week but I suspect a lot of people won't be working at all."



The problem is that public holidays are due on Tuesday December 6 - a recently instituted public holiday that commemorates the endorsement by referendum of Spain's post-Franco democratic constitution - and also on Thursday December 8, the traditional Catholic feast day of the Immaculate Conception.

When a public holiday falls within a day of the weekend, on a Tuesday or on a Thursday, a majority of Spaniards take a *paseo*, literally a bridge, and stay away from work for four full days. December 5-11, with its duo of mid-week holidays, has already been dubbed a *viaducto*, an extra long bridge spanning the entire week.

The annual holiday calendar in Spain is, at the best of times, what a spokesman for the National Employers Confederation termed "somewhat chaotic." There are national holidays, holidays that are observed in specific regions and others which are celebrated only by cities.

Even national holidays are not what they appear. Spain has a public holiday on July 25, the feast of St James the Apostle, the nation's reputed evangelist and its patron saint. Not so Catalonia which works that day and down tools instead on the feast of St Stephen, December 26 and Boxing Day in the English speaking world, when the rest of Spain is, at least in theory, back at work.

Catalonia works on April 23 but not on Barcelona for the date marks the feast day of St George, or San Jordi, the city's patron saint. By the same token Madrid city, but not its surrounding province, goes limp in the week of May 15, the feast day of St Isidro, the Spanish capital's patron saint.

Bilbao, in the Basque country and the third industrial leg

ment climbed down and passed the Monday holiday back to the Thursday. Applauding the move, a spokesman for the Catholic Church said that the Government had taken note "not only of the pressure exerted by the bishops but also of the clamour of Christian people, businessmen included."

Mr Alfonso Guerra, the deputy prime minister, who has special responsibility for Church-State affairs, shifted the blame on to the Employers Confederation saying that the Government did not intend to "worry unduly about productivity" if it was not backed in its rationalising efforts by the business community which stood to gain most from them.

The jibe was angrily resented by the Employers Confederation which said it was not privy to the church's negotiations with the Government and the latter's climb-down was in any case ignored by the Basque regional executive, who reached their own agreement, with the support of the Basque regional executive, to work on Thursday as the Madrid government had originally intended.

In Catalonia the local employers federation advised its members to notify the authorities that for safety reasons their plants could not open and close down on alternate days and that they therefore intended, as in the Basque Country, to work on Thursday and not on Monday. Major factories such as the SEAT and the Nissan car plants have followed such advice.

One irony of the situation is that the Government's decision to restore December 8 as a holiday was sharply criticised by the Madrid daily newspaper *El Pais*, which warned it of the consequences of appearing more flexible in its negotiations with the bishops than in its talks with the unions. The newspapers comment turned out to be the stuff of prophecy for within days the unions had announced a general strike for December 14.

Barcelona's Merced festival celebrates while Madrid works in Spain, takes the day off on July 31 in honour of its local hero St Ignace of Loyola, and then takes a week off for its fiestas at the end of August just as Barcelona does at the end of September to commemorate its local the Virgen de la Merced.

All of Catalonia stops work on September 11 to remember the occasion when Madrid's troops conquered the region in the Spanish War of Succession more than 250 years ago and all of the Madrid region closes down a month later in honour of the Virgen de la Almudena who was revered by St Isidro.

Against such a background, the disparity of working prospects next week is par for the course. Employers and unions in Bilbao have agreed to take Monday and Tuesday off, Madrid will stage public holidays on Tuesday and Thursday and roughly half the factories in the Barcelona area will be working on Monday while the other half will be open on Thursday.

Most business people in all three cities expect massive absenteeism for the whole week. There could be precious little for the labour force to do anyway in certain plants for a statutory law prohibits the road transport of "dangerous goods", such as inflammable products, on a public holiday or on the eve of a holiday, and

that ruling effectively sidelines such transport during the whole of next week.

At the beginning of this year moves were made by the administration to avert such chaos. Mr Felipe Gonzalez's socialist government decided to switch Thursday's December 8 holiday to the Monday in the hope of having the country back to work on Wednesday after Tuesday's December 6 Constitution holiday. Last year December 6 had conveniently fallen on a Sunday and the issue had not arisen.

January's pragmatic decision ran into immediate difficulties in Mr Gonzalez's home town of Seville where the local population declared that it had been observing the immaculate Conception since 1471 and warned that if the December 8 holiday was abolished there would be no more religious processions in Holy Week which is when the city makes a fortune from tourism. Seville's municipal authorities hastily decided that Thursday would be a holiday in the area next week as well as Monday and Tuesday. This was the thin end of the wedge for Spain's bishops who quickly pointed out that the observation of the immaculate Conception was part and parcel of the Concordat that governs relations between Spain and the Vatican.

Three weeks ago the Govern-



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	RANK	FUND/CATEGORY
Growth Fund	1	12
European Fund	1	4
Dollar Fund	1	9
North America Fund	2	7
Pacific Fund	1	8
Income Fund	3	15

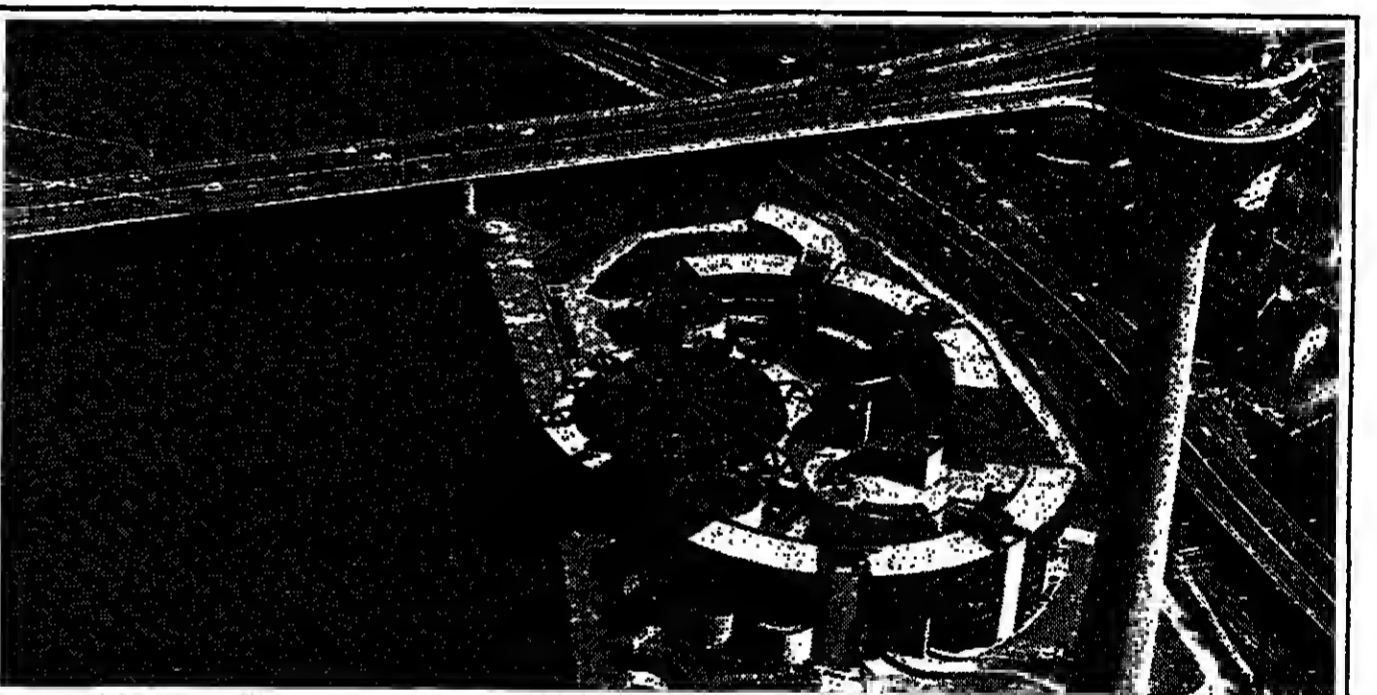
Source: BCFP (An Independent Swiss Research Service)

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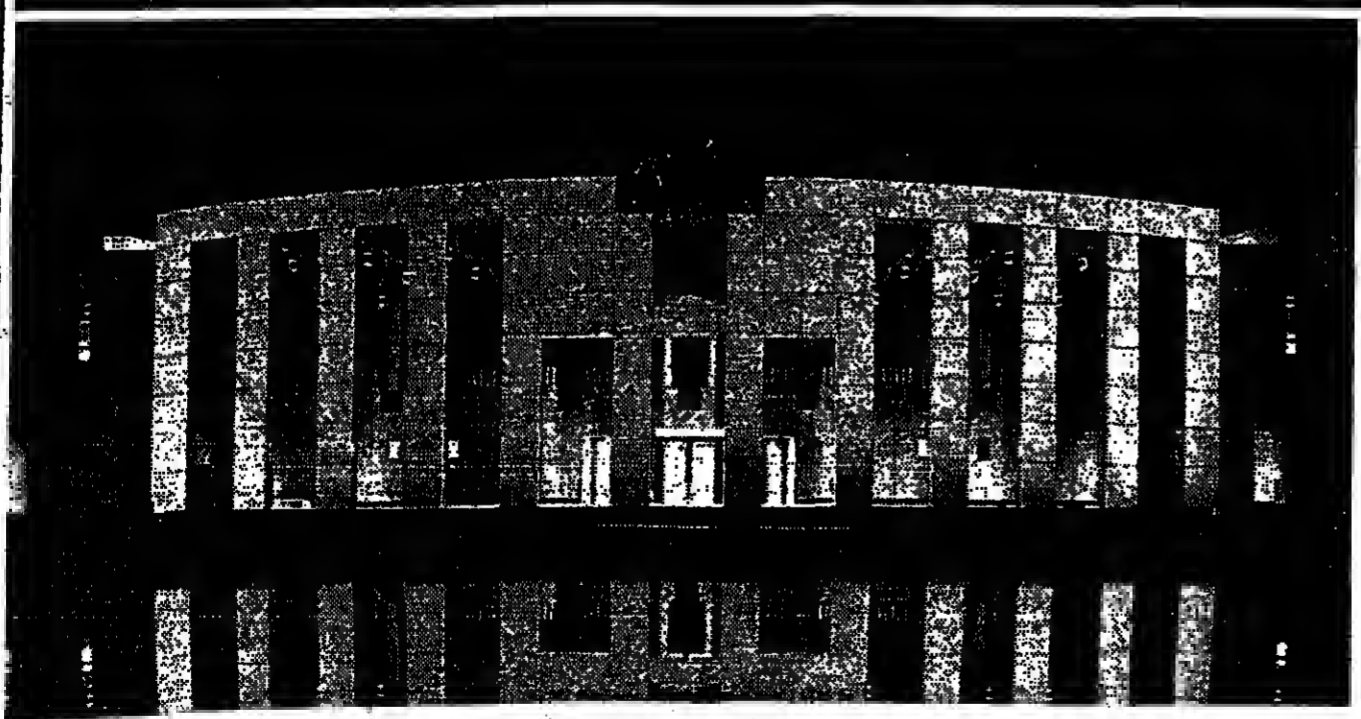
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**UK NEWS**

**Monopolies panel to rule on UniChem shares plan**

By David Waller

A SHARE incentive scheme operated by UniChem, the pharmaceutical wholesaler owned by 5,500 independent chemists, has been referred to the Monopolies and Mergers Commission by Sir Gordon Borrie, director general of fair trading.

Sir Gordon's decision came 10 weeks after the Office of Fair Trading ruled that the scheme was anti-competitive. Now the MMC has five months to conduct its own report to determine whether the scheme is anti-competitive and, if so, whether it operates against the public interest.

Yesterday's ruling was the latest development in a bitter saga which for a time sent the UK's £1.5bn pharmaceutical wholesale industry into a state of convulsion. It began in January this year when UniChem introduced a scheme which linked the issue of heavily discounted shares to level of customers' purchases.

The decision was roundly condemned yesterday by Mr Peter Dodd, UniChem's chief executive. He said that despite disagreeing with the conclusions of the OFT's report, UniChem had discussed ways of changing the scheme so that it would no longer be deemed anti-competitive.

The scheme was a tremendous success for UniChem, which attracted 550 new customers and managed to wrest a substantial amount of business away from its quoted competitors, Maerthy and A.A.H. New customers were attracted by the chance of a substantial capital gain when UniChem shrugs off its status as a friendly society and goes to the market: the shares were sold at £1 and could fetch as much as £12 on flotation.

Mr Dodd said that the scheme would continue to operate while the MMC conducted its investigation.

**Former Crowther clothing group to shed 700 jobs  
Response to restructure**

By Alice Rawsthorn

THE management team which took control of the John Crowther Group's clothing companies in a £50m buy-out this summer has announced a restructuring programme of disposals and closures to cut its workforce by more than 700.

Once the restructuring is completed, the company - now renamed the Response Group - will be among the largest players in the UK clothing industry with 4,250 employees and annual sales of £150m.

Its activities include contract manufacturing for multiple retailers and brands, such as Speedo swimwear and Pierre Cardin hosiery.

Mr David Suddens, chief executive who orchestrated the buy-out, said the restructuring was intended to withdraw from loss-making activities and to concentrate resources on more profitable areas.

Response is the product of a series of acquisitions staged by the John Crowther Group in the mid-1980s.

This summer Crowther was taken over by Coloroll, the aggressive home products group, after a bitterly fought bid battle. Coloroll retained Crowther's carpet companies, but sold the unwanted clothing businesses to the buy-out team.

Response has already agreed to sell its loss-making contract knitwear business in Leicester-shire, in the Midlands, and is negotiating the sale of Robert Michaels, a fashion wholesaler in London, to management.

The group also plans to sell the original Crowther woollen mill near Huddersfield in northern England; a lace manufacturer in Nottingham; and Herbert Johnson, the hat shop in London's West End. It expects to raise £15m from disposals and to raise £2.5m from property sales.

Response is cutting central costs. It has introduced a new management structure - whereby each company reports directly to the main board - and ungraded central functions such as marketing

and design. This exercise will reduce overheads by £1m a year.

Mr Suddens also intends to cut costs within the remaining businesses. The workforce at Sunbeam knitwear in the Irish Republic will be cut by 70 to 170 people. Response has also begun productivity improvement programmes.

In recent months the UK clothing market has become increasingly competitive due to a rapid rise in imports fuelled by the strong pound.

The wool textile industry has increased its export sales by 3 per cent to £461m in the first three quarters of the year despite sterling's strength.

The industry, which is concentrated in Yorkshire and the Scottish borders, achieved record exports of £607m in 1988 when the pound was comparatively competitive. The wool textile mills hope to beat that figure this year, but the rate of export growth has slowed as the year has progressed and the pound strengthened.

**Spicer team defects to Ernst & Whinney**

By Richard Waters

IN A rare defection of staff from one accountancy firm to another, a team of information technology consultants has moved from Spicer & Oppenheim to Ernst & Whinney.

This echoes tensions between consultants and accountants which have surfaced in some other firms, most notably Arthur Andersen. The six consultants are all specialists in computer resource management, which involves helping companies to get the best out of their existing computer facilities.

They are understood to have been unhappy with Spicer's strategy for its consulting operations, and with the fact that they were not given a stake in their business, despite promises to the contrary.

Ernst & Whinney, though not giving them an equity stake either, is seen to present greater opportunities.

The defection poses a serious question for Spicer, which has pinned its future on its ability to attract and keep teams of specialists like this. The firm is at present trying to appeal to people who want to control their own business by handing power to its various specialist business units.

This development has been blighted by high-level departures, however. In recent months these have included those of Mr Chris Bart, who was himself headhunted with a team of consultants from Booz Allen just 18 months before, and Mr Adam Mills, who had recently been appointed first managing director of Spicer's corporate finance group.

The team of consultants which has moved to Ernst was built up by Mr John Rankin, who joined Spicer three years ago. The team was not hired collectively but its members have moved across individually.

**Ombudsman backs complaint over phantom cash withdrawal**

By David Barclay

PHANTOM withdrawals from bank cash dispensers, when the machine deducts money from an account without a withdrawal being made, may really happen according to a ruling by Mr Ian Edwards-Jones, the Banking Ombudsman, this week.

His annual review published yesterday says that complaints about ATMs (automatic teller machines) are the biggest single source of complaints about the banks. The Ombudsman received 269 complaints, mostly about phantom withdrawals.

Banks and building societies

generally take the view that phantom withdrawals are more or less impossible and can usually be explained away as fraudulent use, perhaps without the knowledge of the card holder.

However, on Monday this week, Mr Edwards-Jones ruled in favour of a bank customer, saying that the balance of probability was that a disputed withdrawal had not been made.

Mr Edwards-Jones had less comfort for bank customers on two other regular subjects of complaint, interest charges when a customer repays a loan

before the end of its term and liability when a bank customer guarantees someone else's account.

He gave a warning that in both cases customers may fail to realise their full liabilities under "the small print" in the agreement.

In 1987, complaints to the Banking Ombudsman rose to 2,089, an increase of 20 per cent. Mr Edwards-Jones, who retired today, said he thought that the rise reflected greater public awareness of the Ombudsman's existence.

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UK NEWS

# Hurd publishes 'narrower' law on state secrecy

By Michael Cassell, Political Correspondent

THE GOVERNMENT last night published a Bill intended to replace the unworkable, "catch-all" Section 2 of the Official Secrets Act which it claims will drastically narrow the scope of official information covered by the criminal law.

The long-awaited reforms to the present secrets laws were described by Mr Douglas Hurd, the Home Secretary, as "a notable essay in openness."

The Bill was at once attacked, however, by the Government's critics, who claimed the new proposals were more restrictive than those they are designed to replace.

The opposition Labour Party accused the Government of becoming "increasingly authoritarian and secretive", while the Campaign for Freedom of Information said the Bill was designed to prevent the public knowing about abuses of government power.

As was the case in the June policy document, the Bill sets out six categories of information, the disclosure of which will be covered by the criminal law.

They embrace defence, security and intelligence, information passed between governments or that relating to international relations, any information of use to criminals or information relating to, or arising from, interception activities.

In every area but security and intelligence, the prosecution will have to satisfy a jury that disclosure, including that by journalists, has harmed the public interest.

People convicted under the new legislation would face prison sentences of up to two

years and fines of up to £2,000.

Mr Hurd said that the Government firmly believed that, for members and former members of the security and intelligence services, the disclosure of information about their work without authority is always harmful to the public interest and should always be an offence.

The measure is intended to enshrine in the new legislation the duty of lifelong confidentiality for members of the security and intelligence services. The issue was at the centre of the political storm arising out of the publication last year of Spycatcher, the memoirs of Mr Peter Wright, the former MI5 officer.

The Bill contains no public interest defence, which would enable those accused to claim they had acted on the interests of the country, and neither will the previous publication of classified material provide an alternative defence. In both cases, however, it will be up to the prosecution to prove harm has been done.

Mr Roy Hattersley, the Labour spokesman on home affairs, said last night that, far from liberalising the secrets laws, the Bill sought to give government greater powers to withhold and conceal information which it might find politically embarrassing if published.

Referring to a passage in the Bill which says any servant of the state or government contractor is guilty of an offence in making any "damaging disclosure", he added: "Everything that the Government defines as relating to security must remain secret at all times. They, and they alone, decide on what is secret."

# SEQ prestige also dented by zero margin trade SE fines two securities houses for late reporting

By David Barchard

TWO securities houses have been fined by the London Stock Exchange for trying to falsify the market by late trade reporting.

A spokesman for the Stock Exchange said yesterday that the market maker involved had been fined £25,000 and the broker £10,000.

Under Stock Exchange rules, the price and size of all deals in leading stocks must be published within five minutes on its automated price quotation system, SEAQ, to ensure that the entire market is aware of transactions taking place.

In this case, the market maker is believed to have delayed reporting a transaction after being unable to dispose of an order which had been sold and booked as traded by a broker.

The Stock Exchange yesterday declined to say when the offence occurred or to identify either of the firms involved, saying only that they belonged to separate securities houses.

This is not the first time that a securities house has been fined for late trade reporting, but it is the first occasion on which two separate firms have been punished for colluding.

The Stock Exchange is also preparing to warn market makers that they will be penalised if they permit unofficial inter-dealer broking to take place.

News of the fines broke on a day when the prestige of SEAQ suffered a further dent with Shearson Lehman, one of the smaller securities houses, cocking a snook at the market by offering identical buying and selling prices on a selected share.

On Tuesday, Shearsons offered a zero margin on 10,000 shares of British Aerospace, while yesterday they repeated the exercise on batches of 5,000 shares of Rank Organisation.

However, by 3:45 yesterday afternoon, Shearsons had been forced by market pressures to resume trading at a margin between buying and selling prices around those of other houses.

The move was a deliberate protest by Mr Bernard Leaver, chief trader at Shearsons since May, at moves by larger securities houses such as Phillips & Drew and Barclays de Zoete Wedd to trim the spreads they broadcast on SEAQ and offer only a small number of shares for dealing.

A spokesman for the Stock Exchange said that Shearson's zero margin had been "trading within the rules."

However, these and other recent controversies over practices by users of SEAQ would be considered in the course of the UK equity market review. This is presently under preparation by a Stock Exchange subcommittee which is due to report in March.

Separately, Morgan Grenfell, the merchant bank, said yesterday that it is considering a return to the Stock Exchange floor in order to deal in British Steel shares.

Dealings in the stock, the Government's latest privatisation issue since the sale of BP shares last year, start next week.

Should it return, it would do so only to deal in small amounts of shares, large blocks would still be dealt through SEAQ.

The Stock Exchange confirmed yesterday that it would allow Morgan Grenfell to deal on the floor.

It said that had not yet received similar requests from other market makers.

# Flexible shift deals sought for railways

By Jimmy Burns, Labour Staff

A NOVEL three-day working week with shifts of 13 hours daily for some track maintenance staff has been proposed by British Rail.

The plan is part of a package of changes, including the introduction of a more flexible grading structure for nearly 14,000 station and depot staff based on skills and the extent of supervisory responsibility, which was put before rail unions this week.

The plan to introduce more flexible shift patterns is believed to be the most radical by a large UK employer. It is the latest stage in BR's strategy of improving efficiency by changing working practices, decentralising collective bargaining, and bringing in performance-related pay.

Rail unions have already agreed to the ending of demarcation between drivers and conductors, and BR says it wants the more flexible shifts in place early next year. Rail unions told Mr Paul Watkinson, BR's chief personnel officer, on Tuesday that they were prepared to join working parties to examine further changes but they said that this did not signify agreement to existing proposals for changes.

Mr Jimmy Knapp, general secretary of the National

Union of Railwaymen, the largest rail union, said last night: "The latest proposals have very deep implications for us."

The move to introduce three-day weeks, alongside six and four-day weeks, is seen by BR as a way of allowing for essential maintenance work to be carried out by its 18,000 track maintenance staff with a minimum interruption to services.

BR, which employs 130,000 rail staff in total, also hopes that the revised grading for station and depot staff will help ease a mounting recruitment crisis among its lowest-paid staff, among which there has been sharply higher labour turnover to the south-east over the last two years.

The NUR, traditionally a highly centralised union has been devolving power to its regional offices in an effort to respond more effectively to planned changes by local BR management.

The union still fears, however, that BR's latest proposals are aimed at undermining its organisation and says that the problem of recruitment can be solved only by increased pay.

One NUR official said last night there would have to be "money on the table" before his union would seriously consider BR's latest plans.

# Brel bids deadline put back by three weeks

By Kevin Brown, Transport Correspondent

THE deadline for private sector bids for state-owned British Rail Engineering (Brel) has been put off for three weeks.

The postponement is not expected to lead to a big delay in the timetable for privatisation, planned for the New Year, British Rail, which is handling the sale of Brel, refused to comment, but the deadline is understood to have been moved from today to December 21.

The postponement is thought to have been requested by one of the two bidders - a consortium of Brel managers and employees, together with Trafalgar House and Asa Brown Boveri the Swedish/Swiss electrical engineering group.

The consortium and GEC, the only other bidder, submitted their initial bids on October 7, but have held long talks since then.

The timing of these additional talks is thought to have been difficult for the management consortium, which is led by Mr Peter Holdstock, Brel's managing director, and the company's five other executive directors.

# Drink drivers face threat of permanent ban

By Lisa Wood

TOUGH NEW measures against convicted drink drivers are planned by the Government. Some drivers may be banned from the roads permanently if they fail medical tests.

"To get their licences back they will have to prove that they have kicked the habit," Mr John Wakeham, chairman of the Government's ministerial group on alcohol abuse, said.

The tests will apply to drivers convicted of drinking 2½ times the legal limit - the equivalent of about six pints of beer or two bottles of wine; also with two drink driving offences in 10 years and those disqualified for failing to give a urine sample for analysis.

Drivers convicted of certain drink offences will have to undergo a medical examination by a Department of Transport approved doctor.



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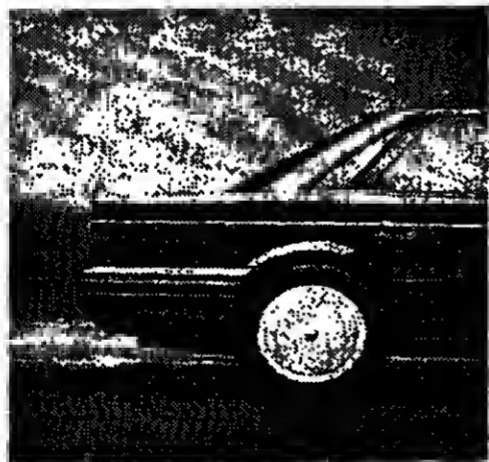
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BMW takes 11.6 seconds.) And in the right conditions, it has a top speed of 119 mph.

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UK NEWS

# Edwardes cuts HQ staff at Charter Cons

**By Kenneth Gooding, Mining Correspondent**

**CHARTER CONSOLIDATED**, the UK industrial group currently in the process of a shake-up at the hands of Minorco, the South African controlled investment company, yesterday announced the departure of another long-serving director and said that about half of its headquarters staff of almost 100 were being made redundant.

Minorco, which is based in Luxembourg and owns 36 per cent of Charter, moved in on the UK group three weeks ago as part of a change in strategy.

Instead of being a passive investment company, Minorco intends to have "hands on" involvement with companies in which it has substantial stakes.

Sir Michael Edwardes, who was recently appointed chief executive of Minorco, is now also non-executive chairman of Charter. He was said yesterday to be the "catalyst" for the changes.

His arrival coincided with the resignation of Mr Neil Clarke as Charter's deputy chairman and chief executive.

Subsequently Mr Ian Little, deputy chairman and chief executive of Anderson Strathclyde, Charter's mining equipment subsidiary, resigned.

Yesterday it was the turn of Mr Anthony Owston, 47, who has been with Charter since it was set up in 1965. He has been the executive director responsible for Charter's mining interests.

Some analysts suggested that the moves were part of attempts by Minorco to "clean up" Charter so that the UK company could be used as the vehicle for a bid for Consolidated Gold Fields, the UK mining and industrial group.

Minorco's recent hostile £2.5bn offer for Gold Fields lapsed when it was referred to the UK monopolies authority.

# Irish maintain reserve over Ryan

## Kieran Cooke looks behind Dublin's silence over the priest's case

**F**OR A people with a reputation for emotionalism, the Irish reaction to the latest salvo from London concerning the case of Mr Patrick Ryan, the former missionary wanted in Britain in connection with a series of IRA murders and bombings, has been remarkably subdued.

Mrs Margaret Thatcher, the UK Prime Minister, and Sir Patrick Mayhew, the Attorney General, have made some of their most outspoken comments to date about what they feel is the lack of Irish resolve in the fight against terrorism. But while many private Irish reactions are unprintable, there has been no response from officials, apart from their saying that the whole Ryan affair is now in the hands of Mr John Murray, the Irish Attorney General.

The British, not the Irish, are seen to be overreacting. Even Mr Gerry Collins, the Irish Minister for Justice, who earlier this year said that Sir Patrick Mayhew was unfit to hold public office, has restrained himself. But unofficially the Irish feel that Sir Patrick has made a complete mess of the extradition process.

Under legislation passed by the Irish Parliament, the Dail, last year the Irish Attorney General must first be satisfied



Irish Attorney General John Murray

There is no justification for describing Patrick Ryan as "Father", Cardinal Hume, leader of Roman Catholics in England and Wales, said yesterday.

A statement issued on behalf of Cardinal Hume, who is visiting Rome, said: "Patrick Ryan walked out of his religious order and his ministry as a priest 14 years ago. In so doing he renounced the relationships which justify the normal use of the title Father."

"He must bear the sole personal responsibility for anything he may have done since then."

"The Catholic Church for its part unconditionally rejects violence and the paramilitary solution to the Northern Ireland problem."

That there is a "sufficiency of evidence" for extradition before allowing cases to go to court. The Irish say that Sir Patrick at first refused to abide by the new procedures.

It has become clear that initial British documents requesting Mr Ryan's extradition had to be sent back: some of the supporting evidence on the Mr Ryan case supplied by Sir Patrick's office is said by the Irish to have been unintelligible.

The Irish say that they were co-operating with the British. They feel that Mrs Thatcher has chosen to ignore the legal realities of the Ryan case and has decided instead to turn extradition into a political issue. The Irish accuse Mrs Thatcher of playing to the right wing of the Conservative party and of giving support to anti-Irish sentiments.

The British, once again, are perceived by the Irish as being arrogant and high-handed. "We are a sovereign country with our own legal system. The British don't seem to have realised that yet," said one member of the Dail, the Irish Parliament yesterday.

Any British charge that Ireland is harbouring terrorist suspects is received with contempt in Dublin. Ireland has as much, if not more, to lose than Britain through IRA activities. Violence in Northern Ireland can quickly spill over into the Republic. The Irish economy has lost many millions in potential investments because of the adverse publicity of violence in Northern Ireland.

The perception is growing in Dublin that Mrs Thatcher, having failed to find a way forward on the problems of Northern Ireland, has become frustrated and third. She now focuses on terrorism and the security issue to the exclusion of all else.

An emotional anti-British backlash is underway. Even if Mr Murray allows court action to proceed the Government of Mr Charles Haughey, the Irish Prime Minister, will come under increasing political and public pressure to have the case dropped. The present Extradition Act is due to be reviewed by the Dail next Tuesday. The Mr Ryan affair could not have happened at a worse time.

# Private sector urged to accept health training obligation

**By Richard Donkin**

**MR DAVID MELLOR**, Minister for Health, told delegates at the Financial Times private health care conference in London yesterday that the private sector needed to face up to its obligation to train medical staff. Competition with the National Health Service had to be fair and seen to be so.

The private sector's present input to training, he said, was patchy and mainly provided by the larger companies to meet their own needs. Some 30,000 qualified nurses were employed in the private sector at the end of 1986, said Mr Mellor.

The demographic impact on new recruits to nursing in the next decade made it vitally important for the private and public sectors to take the training of qualified staff seriously.

Mr Mellor said the extra £2.2bn for the NHS next year, announced in the Chancellor of the Exchequer's autumn statement, demonstrated the Government's commitment to the service as the mainstay of the nation's health care system. He said: "We have moved well away from the sterile and self-defeating conflicts of the 1970s. We now have a healthy mix that allows for individual choice."

The NHS could, however, benefit greatly from the spur of a flourishing private sector. A shift in public attitudes to health care and an increased awareness of the potential range of health care services meant that a growing number of people were investing in their own health.

Mr Mellor said the private sector now treated more than 400,000 people a year. Health services supplied by the private sector accounted for more than 9 per cent of all hospital-based services compared with 7 per cent in 1984.

Since 1978, he said, there had been a 56 per cent increase in private hospital beds, with currently 10,000 beds in about 200 hospitals - 18 beds per 100,000 of the population. The number of nursing home beds had increased by more than 100 per cent in the same period to the present total of 52,000 beds in more than 2,000 homes. Some 5.25m people were now covered by private medical insurance, double the number in 1978, said Mr Mellor.

Mr Mellor said the Government might consider a cutback in funding of residential nursing homes for the elderly.

# Pullmax plans machine tools plant in Britain

**By Nick Garnett**

**PULLMAX**, the Swedish industrial holding company, is to build machine tools in the UK.

The company, which specialises in the manufacture of metal forming machines such as presses, is looking for a factory building to purchase in the north-east of England or South Wales.

A new company, Pullmax Systems is being set up to undertake development and manufacture of a new computer controlled punch press. The company will be majority owned by the Gothenburg-based group.

UK manufacturing content of the new press would be 75 per cent and the factory would employ about 80 people.

The company said one of the reasons for setting up in the UK was the approach of the more open European market after 1992. It also needed more production space because its factories in Sweden were working at full capacity.

Punch presses are used for sheet metalworking in a wide range of industries, including aerospace, construction machinery and rail equipment.

Pullmax said the UK market for its British-made machines would be 70 to 80 units per year. Main competition at the moment is from West German and Japanese companies.

A number of non-British machine tool companies have set up assembly or manufacturing operations in the UK in the past two years. The largest is the Worcester facility of Yamazaki of Japan.

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TECHNOLOGY

Continuing a series on computer security, Della Bradshaw looks at the protection of data in transit

# En route to the right combination



To guarantee the security of information held on a computer is difficult enough. To safeguard that information when it is travelling across a country - or even a continent - is a monumental task.

Many companies are finding that data communications are the Achilles heel of their computer security systems. "The important thing is to define exactly what you're trying to protect and what you're protecting it from," says John Ross, consultant with software house Logica. "Then you have to decide how vulnerable the information is and whether it is worth the cost of protecting it."

The four criteria for a secure network are:

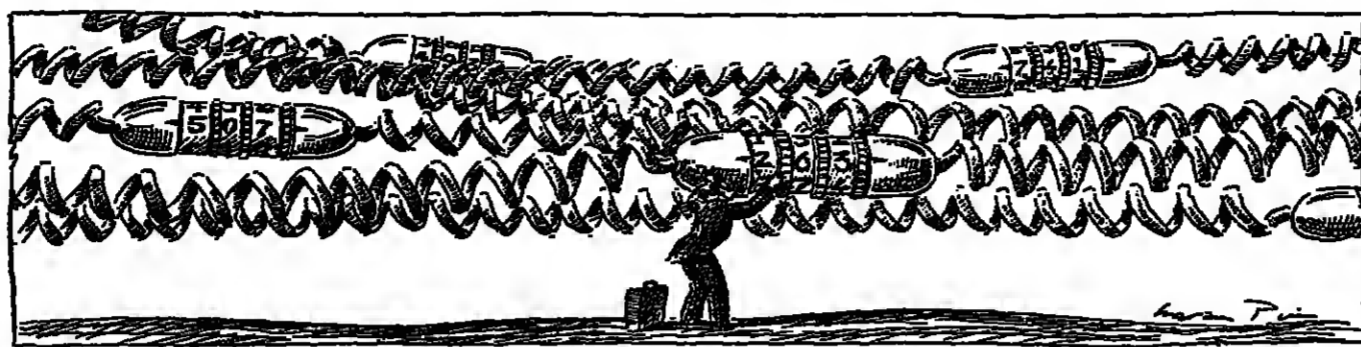
- Authentication: making certain the information has come from the person who claims to have sent it. It is particularly important with services such as Eftpos (electronic funds transfer at point of sale), where funds are transferred from one bank account to another when a customer buys goods.
- Confidentiality: ensuring information is not disclosed to

unauthorised users.

- Integrity: checking the information has not been changed in transit.
- Non-repudiation: guaranteeing the information has been sent and received. This is particularly important for legal documents.

"Not all customers want the same things at the same time," says Peter Jackson, operations director of Brighton-based Computer Security, which specialises in computer and network security equipment. "For example, a bank moving a large amount of money between sites may not mind people knowing that the money is being transferred, but the integrity of the information is crucial - an extra zero can make a lot of difference. On the other hand an oil company which wants to inform its offices about an oil strike will want the information to be confidential."

One worry expressed by many companies sending data across networks is that they have no control over the personnel who may have access to the information. Their messages have to travel along communications links run by the telephone company - unlike a stand-alone computer where the company can vet everyone with access to the system. Pri-



ate data networks, where lines are installed between two specific points for the exclusive use of one customer, also go through the telephone company's exchanges or sites.

"The most vulnerable point in any network or computer system is not the technology but the people," says Barry Stuard, managing director of Rascal Data Networks. Rascal is installing and will manage a private data network for the UK Government which will link together 85,000 terminals at 4,000 locations, including Inland Revenue and social security offices.

The element of a communications network most likely to be targeted by would-be thieves or vandals is the switching centre, which directs

the computer information to its final destination. "If you can get into the switching room you can sit down at a terminal, get into a company's computer system and change all the security codes," says Nick Swain of UK consultancy group Rosys. "That would mean you could get access to confidential information - probably without anyone even knowing. It's just like cutting yourself an extra set of keys."

One way of making data more secure is to choose the right type of signal for transmitting the information, whether it is over a public or a private telephone network. Packet switched networks, for example, which use internationally agreed standards called X.25, have three ele-

ments which make them more secure than the ordinary telephone networks. (Packet switching means the information is cut up into packages of data to be sent over the line, each carrying an address to ensure it reaches the right destination.)

First, as the packets of data are sent across the network they are mixed at random with packets sent from other users to other destinations. In addition, different packets of data from the same message might be sent round the network by a different route. This means that if someone does intercept the data stream it is extremely difficult to work out which packages belong to which message.

Second, an integral safe-

guard of the X.25 standard is that unless the receiving terminal gets all the packets in the correct order, it will not accept the message.

Finally, companies which want to keep their data separate on packet-switched networks can use closed user groups (CUGs). To gain access to information within a CUG, extra passwords are needed.

Computer network security is becoming more important as an increasing number of companies hand over their communications management to third parties. John Wisniewski of Electronic Data Systems (EDS), believes fears about security are unfounded: "Because we are dealing with other people's information, the attention we would pay to security would in

all probability be more stringent than an ordinary telecommunications department in a big company."

EDS can make the data more secure by encrypting it, a technique used primarily in military communications. Encryption scrambles the data into an unintelligible form for transmission. If the recipient has the correct keyword or signature, the message can be deciphered on arrival.

The US firm RSA Data Security makes equipment using the RSA encryption system, named after its authors, Rivest, Shamir and Adleman. Jim Bidzos, president of RSA, believes that encryption can also help prevent the spread of "viruses" - rogue software which multiplies throughout computer networks and corrupts data. This is because the sender of an encrypted message needs a signature.

"A digital signature is a good first line of defence against viruses," he says. "If nothing else, you can find out where the virus came from. That in itself will discourage people."

There are devices commercially available (using RSA and other encryption devices) which can be attached to either end of a telephone line to encrypt and decipher the messages. They cost about

£1,000 for each line and can be used on the ordinary telephone or private data networks.

One service which poses its own security problems is electronic data interchange (EDI), which involves passing information, usually invoices or orders, between two computers from different companies. John Jenkins, marketing and development manager for International Network Services (INS), the largest EDI company in the UK, says that security was one of the main criteria involved in setting up the INS network. INS uses security techniques such as encryption and X.25 signalling, as well as physical access control and a series of passwords.

However, Jenkins says that in the end it is up to the computer users to make sure that no access can be made to unauthorised sections - such as personnel records or payroll - of their computer systems.

In spite of the risks, few companies are taking the threat seriously, according to Stephen Thompson, sales and marketing executive at Plessey Crypto, which manufactures secure communications equipment. "Senior people in companies are prepared to pay £1,000 or more for a secure phone because they can understand that their conversations are valuable. But they're not so concerned about network security because they just don't see themselves as front-line computer users."

Previous articles in this series appeared on November 17 and November 24. The final one will be published next week.



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### The automatically decorated pizza

THE INCREASED popularity of the pizza in Europe calls for high-speed production at minimum cost. Pizza base production is already automated, but now the Dutch company Rijkaert, of Asperen near Amsterdam, has introduced a pizza decoration line (PDL), which can top pizzas at a rate of 5,000 per hour.

The bases move on a belt and the various toppings are added independently in an automatic line - the sequence being varied to suit the product. There are units to distribute the tomato purée, grated cheese and chopped vegetables evenly.

Ingredients are not wasted. Topping that does not remain on the pizza bases falls down chutes and is returned to the appropriate line unit. PDL is available in the UK from European Process Plant, Basingstoke, Surrey.

### Getting fibre into shape

THE UK Government's National Engineering Laboratory (NEL), in Glasgow, is to conduct a three-year £2.5m research programme aimed at the continuous manufacture of the fibre component used in reinforced plastic parts.

At the moment such manufacture is labour intensive. A skilled operator has to cut fibre material, usually in sheet form, to make a "pre-form" which is held in shape by spraying it with a binder. The pre-form is then taken to the mould where it is impregnated with the hot plastic. After setting, a strong component is formed, capable of bearing heavy loads.

NEL aims to mechanise production of the pre-forms to speed up output and cut the waste that results from manual cutting. A likely research direction is the use of robots to make the pre-form shapes from continuous fibre material.

The European market for thermosetting reinforced plastics will soon exceed £1bn annually and is expected to grow substantially in the coming decade. NEL believes that if better process methods allowed these materials to be more widely used in load-bearing or structural applications, market growth would be even greater.

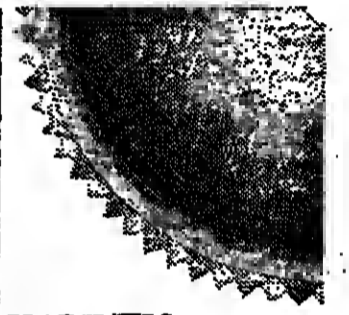
### Flexibility in product lines

G. W. SOHLBERG, of Finland, is offering an automated movement system for use in light assembly factories, where flexibility is required in the kind of product being made.

The system gives a controlled flow of parts and materials and the freedom to automate gradually. It uses ergonomically designed workstations linked by a two-way conveyor belt that transports workpieces and materials on identical carriers (pallets).

Each pallet has its own "escort memory" which carries full details about its load. The memorised data can be read and altered during production, allowing new workstation destinations to be programmed to suit the product.

The memory can hold address data, product codes, processing requirements, a history of completed processes and similar data. This electronic flexibility is matched by the mechanical arrangements which are modular and easily changed.



### WORTH WATCHING

Edited by Geoffrey Charlish

### Larger liquid crystal display

WORKING with IBM's Japanese subsidiary, the Tokyo electronics group Toshiba has developed a 14-inch colour liquid crystal display (LCD) which it claims is the world's largest.

Although such displays are lightweight and have the advantage of being only an inch or two thick, they are difficult to make. This is because the screen consists of many thousands of individual picture elements, each of which must be capable of alteration by the picture signal fed in round the edges of the frame.

Complexity implies high cost, and the bigger the display area, the greater the chances of some of the picture elements being faulty.

The resolution (clarity) of the colour picture is 770 elements horizontally and 550 vertically. The unit is designed for computer display work and up to 16 colours can be reproduced simultaneously.

Toshiba believes that ordinary office equipment will use such screens before long, but there is no release date for a commercial product.

### A demonstration of disaster

THE UK's Harwell Laboratory used a large-scale computer simulation to pinpoint the way fire spread in the disaster at King's Cross underground station.

Using a Cray-2, one of the world's biggest computers, and a program called Flow3D, which models gas flow, the scientists discovered what has become known as the Harwell trench effect. This is the flow of hot gases up the "trench" formed by escalator balustrades and steps - a phenomenon previously unknown to fire experts.

Flames rapidly accelerated up the trench and into the booking hall, whereas the conventional expectation would be for them to rise more or less vertically towards the escalator shaft ceiling.

The effect was later confirmed by the UK Health and Safety Executive using a one-third scale model.

To simulate the fire, the Harwell team broke down the three-dimensional plan of the station into 15,000 cells, each 1 cm in size, and then calculated what changes were taking place in each one over a 10-minute span - in time slices of 0.1 seconds.

The results showed that the trench behaved rather like a chimney, sucking in air and propelling the fire up the escalator.

CONTACTS: Rijkaert: The Netherlands, 2461 14441 or in the UK on 07373 59432. National Engineering Laboratory: UK, 02522 22222. Sohlberg-Sohlberg: UK, 0256 470946. Toshiba: Tokyo, 457 2104. Harwell Laboratory: UK, 0235 24141.

UK ECONOMIC INDICATORS

Table with 10 columns: Index, 1987, 3rd qtr, 4th qtr, 1988, 1st qtr, 2nd qtr, 3rd qtr, 4th qtr, 1989, 1st qtr, 2nd qtr, 3rd qtr, 4th qtr. Rows include Industrial production, Retail sales, Unemployment, etc.

Table with 10 columns: Index, 1987, 3rd qtr, 4th qtr, 1988, 1st qtr, 2nd qtr, 3rd qtr, 4th qtr, 1989, 1st qtr, 2nd qtr, 3rd qtr, 4th qtr. Rows include Consumer goods, Investment goods, Intermediate goods, etc.

Table with 10 columns: Index, 1987, 3rd qtr, 4th qtr, 1988, 1st qtr, 2nd qtr, 3rd qtr, 4th qtr, 1989, 1st qtr, 2nd qtr, 3rd qtr, 4th qtr. Rows include Exports, Imports, Visible balance, etc.

Table with 10 columns: Index, 1987, 3rd qtr, 4th qtr, 1988, 1st qtr, 2nd qtr, 3rd qtr, 4th qtr, 1989, 1st qtr, 2nd qtr, 3rd qtr, 4th qtr. Rows include Money supply, Building societies, etc.

Table with 10 columns: Index, 1987, 3rd qtr, 4th qtr, 1988, 1st qtr, 2nd qtr, 3rd qtr, 4th qtr, 1989, 1st qtr, 2nd qtr, 3rd qtr, 4th qtr. Rows include Retail prices, Wholesale prices, etc.

LAW AND SOCIETY

The crowded world and global markets

By A.H. Hermann, Legal Correspondent

A young woman travelling alone heard shouts and anguished cries from a neighbouring compartment. She thought: "Someone is being murdered and I ought to pull the emergency cord."

premises and caused damage to the plaintiff's property. The hooligans were not in the cinema for the first time but none of those people who witnessed their previous intrusions reported them to the police.

such as the hooligans in the present case. By contrast, Lord Goff stuck to the common law more rigorously when he said that there was no liability for "pure omissions".

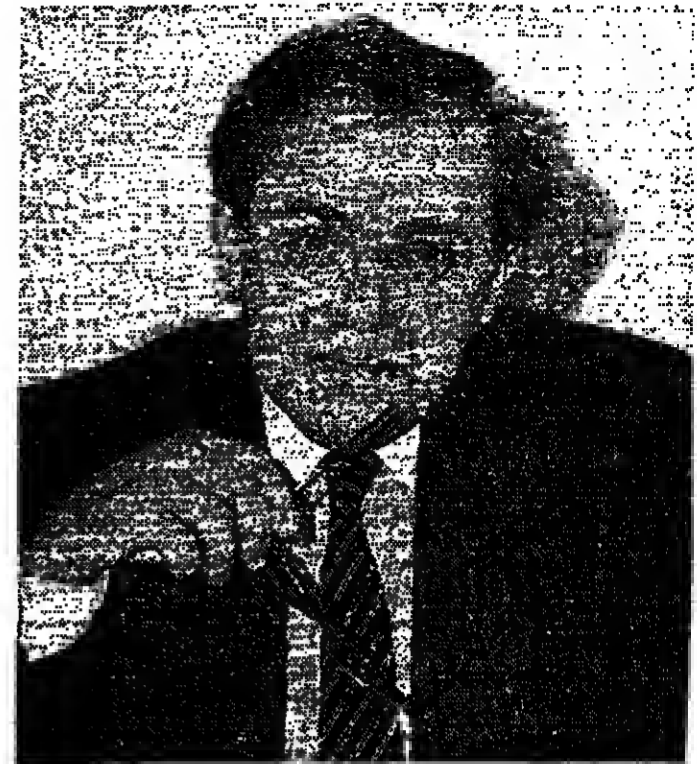
haps not the strongest force for legal integration. The need for uniform rules governing activities which take place between countries, and on the high seas and in the air, has led to several successful attempts agreed between governments with the help of United Nations agencies of which the foremost is the UN Commission for International Trade Law in Vienna.

What the Crown Court's judge said did not change English law which does not oblige anyone to come to another's rescue. But he expressed the moral feeling prevailing in other systems of law, which requires the onlooker to attempt rescue if it can be done without grave danger to himself.

In a global securities market, rules can only be enforced by international co-operation. building take precautions? In contrast to civil law, English law does not recognise liability for omitting to do something which is not imposed as a specific duty by law.

The plaintiffs lost the case on facts, but Mr Markesinis thinks the law moved closer to civil law practice because Lord Mackay, the Lord Chancellor, spoke of a "standard of care" owed to one's neighbours.

Instead, they offer full administrative and judicial assistance in the US to authorities of other countries investigating infringements of their own securities rules. They do so in the hope that other countries will reciprocate, recognising that without international co-operation they cannot enforce their standards against fraudsters who have no assets within their jurisdiction and



Basil Markesinis, who this evening delivers his inaugural lecture as Denning Professor of Comparative Law

never set foot in the proximity of the market in which their deed was done. Another consequence of the global securities market is the belatedly recognised impossibility of operating such a complicated and pedantically drafted set of rules as presented by the Financial Services Act. The Government now appears to be inclined to reduce it to some 100 principles. This may well prove to be too many. One might do better by repeating that to deceive the customer for gain is fraud on the part of the dealer, and that no one can serve two masters, however many Chinese walls there are in his house. Even the most devoted adherents of the present fashion of statutory drafting now agree that the multitude of variations in securities fraud can be better prevented by the enforcement of a few simple principles than by a confusing web of pedantic rules creating just so many loopholes. There are many instances of global markets requiring an internationalisation of law and its enforcement, but none so urgent as the need for a world law to keep the earth's environment in a fit state for the survival of mankind. The EC Transfrontier Directive could do something to regulate shipments of dangerous waste across the internal frontiers of the Community and their imports into the Community. But the Community is too small to deal with the poisonous or other harmful substances released into the air. Who would have said 10 years ago that this is a matter for which a British Cabinet minister will seek a solution in talks with the Chinese. Even lawyers must now recognise that we live in one world.

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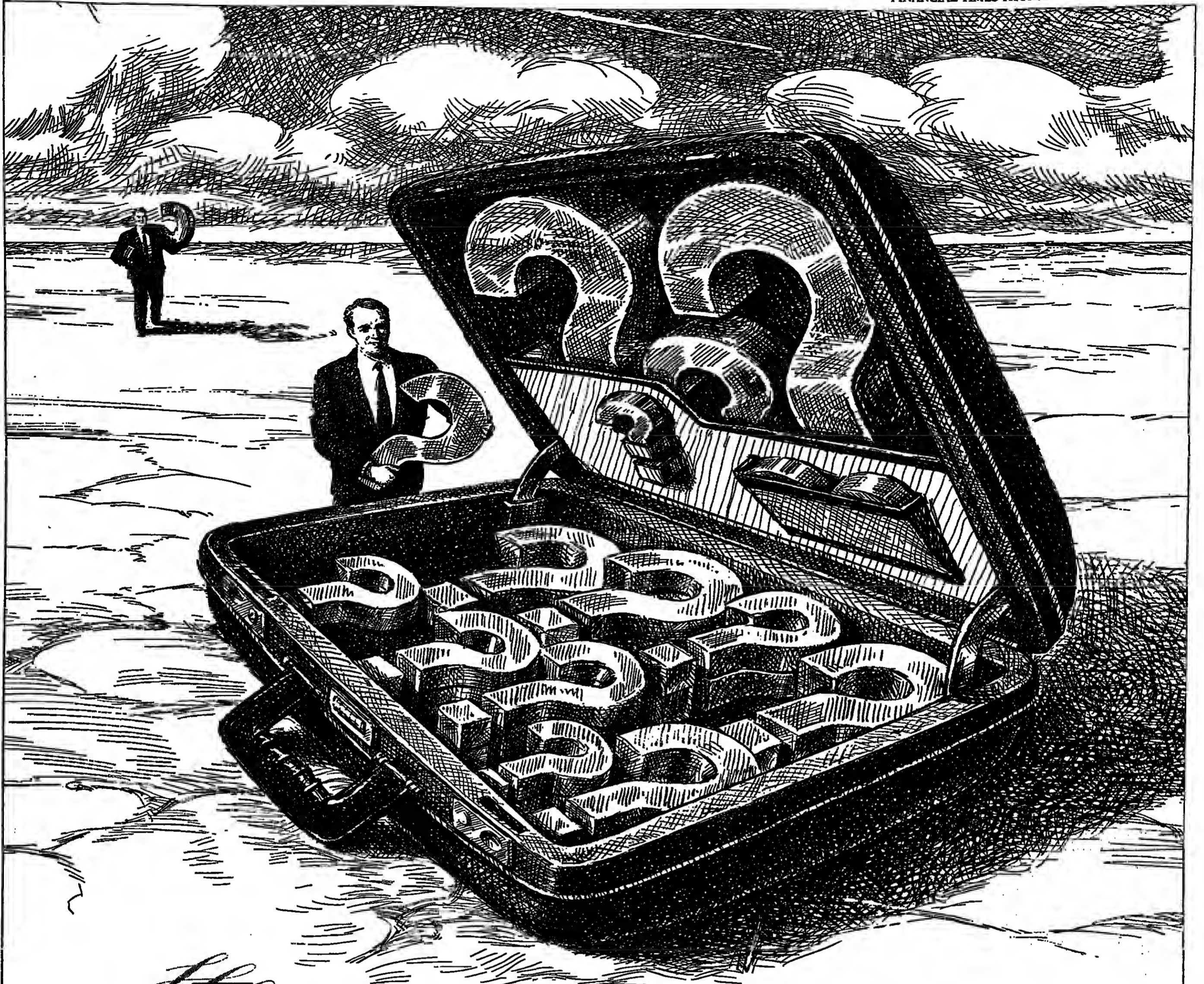
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Thursday December 1 1988

New realism about 1992

THIS WEEKEND'S European Community summit in Rhodes marks the half-way point in the timetable for creating a single market and ought to be an occasion for modest celebration of progress achieved to date. Instead, it looks as if EC leaders will be lucky to avoid acrimonious squabbles.

The most obvious source of potential friction is Mrs Thatcher's neo-Gaullist stance on the Community's future development. However, this is not just another case of Britain versus the rest of the EC. Much as other leaders criticise her views in public, several are also growing nervous about the challenges which the logic of integration poses to national interests and prerogatives, particularly in economic policy.

In industry, too, euphoria about 1992 is yielding to a sober realisation that there will be losers as well as winners. Warnings are multiplying that increased competitiveness will entail painful restructuring, which will weed out the weak and inefficient. Predictably, demands are increasingly being made for "transitional" trade protection, particularly against Japan.

The clear message is that the EC's honeymoon with 1992 is ending. The easiest parts of the programme have already been agreed. From now on, the going will be rougher. Mr Jacques Delors, president of the European Commission, seems already to have recognised this. A few months ago, he was seeking to pile extra band-wagons with "extra dimension" and a European central bank. Now, he is talking not of great leaps forward but of step-by-step advances.

EC-wide competition

These signs of a new realism are welcome. The emphasis now should be on running through those elements of the 1992 programme which will do most to unleash EC-wide competition and pit market forces against political obstructionism. The first priority is to ensure EC governments fulfil their pledge to liberalise capital movements. Britain's experience suggests that once capital can flow freely it creates

irresistible pressures for the deregulation of national financial markets. Risks of increased currency instability should be dealt with by organic evolution of the European Monetary System, not by hastily imposing new institutional structures, such as a European central bank.

The EC must also agree on a formula for dismantling internal border controls. Failure to do so would call in question the basic idea of much of its meaning - and of popular support. This central point has been obscured by dissension over Brussels' proposals for harmonisation of indirect taxes. A solution will call for imaginative diplomacy and a readiness to compromise, above all by the Commission and the UK.

Public procurement

Firm pressure must be kept on EC governments to open up public procurement competition. National procurement imposes massive economic costs, perpetuates fragmented and inefficient industrial structures and underpins divergent national standards. It is equally important that, once markets are liberalised, Brussels ensures they remain genuinely competitive. That will require vigorous enforcement of EC competition rules to curb state aids and to prevent companies from using 1992 as a pretext to create cartels or monopolies at the EC level.

The strongest guarantee of all, however, is for the EC to maintain a liberal external trade policy. Here, the commission has failed to exercise the firm and enlightened leadership it has given on the internal aspects of 1992. Instead, it has resorted too often to protectionist sabre-rattling.

Such posturing risks encouraging weak European industries to believe they will be shielded from world competition. It is also likely to lead to the multilateral trading system, now in a decidedly delicate condition. The EC must show that protection is not what it thinks 1992 is all about. This weekend's Rhodes meeting provides an opportunity, just before the General Agreement on Tariffs and Trade review meeting in Montreal, to do so.

Response to the Palestinians

THE US State Department's refusal of a visa for Mr Yasser Arafat, chairman of the Palestine Liberation Organisation, has provoked understandable anger in the Arab world and concern in Europe. But it would be a pity if the current furore were to eclipse the prospects for serious diplomatic activity involving the Palestinians in coming months.

In barring Mr Arafat from visiting the UN General Assembly in New York this week on the grounds that he is an "accessory" to terrorism, Mr George Shultz, the outgoing Secretary of State, has done no service either to the Middle East peace process or to Washington's frequently troubled relationship with the United Nations.

Conditions The irony is that the US decision cannot be seen in isolation. In adopting its new programme, the PLO was under no illusions about the considerable procedural obstacles that continue to block the way towards talks, not least among them the stiff US conditions for its participation and the opposition of Mr Yitzhak Shamir, Israel's Prime Minister, to any international conference.

But the most important result of this month's statement is the way in which it has helped to clarify some of the substance of an eventual PLO negotiating position. Notwithstanding this week's setback, Mr Arafat has asserted himself as a credible representative of the Palestinians within the occupied territories, whose demand for self-determination - a demand fully supported by the EC but not by the US - will inevitably have to be taken into account in any settlement.

Exactly how Palestinian national aspirations are to be satisfied is a matter for negotiation. Clearly, Palestinian sovereignty in any independent state would have to be circumscribed by comprehensive, externally-policed security guarantees, and conceivably by some form of confederal arrangement with Jordan.

Uprising But the uprising of the last 12 months has shown that agitation for a Palestinian homeland is not going to evaporate. It is up to the West to ensure that this demand is expressed in the form of a moderate, realistic Palestinian negotiating position. As a first step towards bringing America's Middle East diplomacy out of its current cul de sac, Mr James Baker, the incoming Secretary of State, ought to be able to come up with a more encouraging gesture towards the PLO than that bequeathed by his predecessor. And before President-elect Bush takes office in January, EC member states could usefully send some further practical, positive signals of their own.

David Marsh talks to Edzard Reuter, chairman of Daimler-Benz

Like many men with a famous father, Mr Edzard Reuter, chairman of West Germany's motor conglomerate Daimler-Benz, has a strong sense of history. Now, on the verge of clinching the acquisition of a 30 per cent stake in Messerschmitt-Bölkow-Blohm (MBB), the country's biggest aircraft group, Mr Reuter is himself writing a new chapter in the annals of German industry.

After more than a year of complex negotiations with the Government in Bonn, Mr Reuter is doing much more than make Daimler-Benz - already the largest company in West Germany - a bit bigger still. By bringing together under the Mercedes star the bulk of West Germany's defence and aerospace activities, Mr Reuter is taking on a corporate challenge unmatched in post-war Germany. Mr Reuter, now 60, is the son of Ernst Reuter, still remembered as mayor of West Berlin after the Second World War. In an interview last week at his headquarters in Stuttgart, he was in a cautious mood. A man of quiet intellect who looks like a grizzled, mature student, he was anxious to underscore Daimler's new risks and responsibilities. Commenting on the widespread view that Daimler will be acquiring a sizeable cash generator in MBB's military turnover, he said: "We are not very happy about the impression in public opinion that Daimler is receiving a gift."

But he says he sleeps soundly five to 12 hours a night (the latter when he can get them). And he cannot conceal his sense of adventure, particularly when talking about the European dimension of the MBB deal.

There is plenty of adventure ahead. Daimler-Benz is still working hard to complete the digestion of majority stakes in the AEG electrical group and the Dornier aircraft company as well as 100 per cent of the aero-engine maker Motoren-und Turbinen-Union (MTU), all acquired in 1985 in the first round of its diversification drive. Now, Mr Reuter faces a further formidable effort in absorbing MBB. The sprawling aerospace and technology group, born from a series of mergers in past decades, has suffered for years from poor management and inadequate capital backing. There will be particular difficulties in integrating MBB with Dornier; Daimler has already been squabbling with Dornier's minority shareholders.

Mr Reuter is sceptical about the deal within Daimler itself. This is true both at the level of the supervisory board - where all the trade union representatives opposed the takeover when it was put to the vote three weeks ago - and also on the management board. "The task of bringing about a new structure is going to be a difficult job, spread over several years, tying up management capabilities and also costing a lot of money," he says. "I estimate the process will take about five years."

He has also to tackle ferocious political controversy in the federal republic over Daimler's growth into a group which, with MBB, will have turnover of around DM 80bn (£26bn). About 60 per cent of activities will still be based on the motor industry, with defence making up the remainder, ranging from military aircraft to radar, missiles and small naval ships.

The industrial concentration represented by the prospective conglomerate, together with its position as the biggest German armaments group since the Third Reich, has raised opposition from both right and left on a mixture of free market and moral grounds.

On the international scene Mr Reuter wants to use Daimler's authority to help improve European co-operation in defence and aerospace. The aim is both to stand up to US competi-



Edzard Reuter: unable to conceal a sense of adventure over the MBB deal

A new chapter in the skies

and to promote the European integration which the European Community is trying to foster with the 1992 internal market programme.

By enthusiastically playing the European card, Mr Reuter is trying to quieten the domestic uproar over the MBB deal which, he argues, results from public opinion taking too narrow a view of the aerospace market.

He has his eye above all on bringing more private sector corporate influence into the four-nation European Airbus venture, in which MBB is the German partner with a stake (like Aerospatiale of France) of 37.9 per cent. To attempt to reduce the decision-making importance of governments, Mr Reuter suggests that European aerospace companies should link up through a network of cross shareholdings. Aerospatiale already owns 10 per cent of MBB, while Daimler took a stake of just under 5 per cent in the French electronic and defence company Matra last year.

Mr Reuter is to meet Professor Roland Smith, chairman of British Aerospace, in the next few weeks - probably at the beginning of the new year - to discuss the idea of cross shareholdings and other matters. But he is sceptical about any idea of financial links, but is likely to give clear backing to Mr Reuter's efforts to improve efficiency at the Airbus Industrie consortium.

Partly because Daimler will now have some extremely strong cards to play, Mr Reuter also backs the idea of opening up the fragmented European defence procurement market. "This is

absolutely essential. It is wrong in principle to go on as we have been doing before. We have been saying that we are in an international defence community, but we are afraid of sacrificing national defence industry interests."

The highly charged political atmosphere surrounding the Daimler-MBB talks has plainly left its mark on Mr Reuter, who took over the chairmanship in September last year after the ousting of his predecessor, Mr Werner Breitschwerdt.

Following in the Social Democratic Party footsteps of his father, Mr Reuter has been a member of the SPD since 1946. Although he stresses he does not play an active political role, he might have been given the job of Finance or Economics Minister if ex-Chancellor Helmut Schmidt had remained in power after 1982. It is therefore ironic that a lot of the criticism heaped on Daimler in the last few weeks over the MBB deal has come from the SPD.

In view of his father's persecution by the Nazis in the 1930s, which

forced the family along with young Edzard to flee to Turkey, Mr Reuter has been disturbed to see the Daimler-MBB link portrayed by some in Germany as representing "a revival of fascism."

"I am unhappy (over the campaign against the deal). On the other hand, it gives us the chance to clear things up. Perhaps it is not such a bad thing that there is a discussion in Germany which forces us to recognise that we are part of a defence alliance. And perhaps it is also a good thing that we have a discussion about the importance of Europe and what it means for us," he says.

The Government in Bonn this month finally approved the financial terms allowing Daimler to go through with the MBB deal. These centre on a DM 4.3bn exchange rate guarantee up to the year 2000 to shield Daimler from some of the risks involved in MBB's stake in the Airbus.

But Mr Reuter stresses that the final decision on going through with the takeover will only be made if Daimler is given a free hand to carry out restructuring at MBB. Daimler is negotiating these points with the states of Bremen, Hamburg and Bavaria, which own 52 per cent of MBB and all have MBB plants on their territory. "We can in no way accept a solution which would allow regional political interests to block necessary corporate decisions," he says.

Underlining that "all participants agree on the need to clear up the affair by the end of the year," Mr Reuter says that Daimler wants an

option to take a 51 per cent stake in MBB to cover the eventuality that 30 per cent is not enough to push through decisions. And he rejects the idea that the tough line he has been taking all through the negotiations has represented a skilfully played hand of poker.

"The word is not appropriate because this entails an element of bluff. I set down from the start the conditions for us to participate in this project. That was never negotiable. I am still not sure today if all those conditions can really be fulfilled."

Apart from the question of maintaining freedom to streamline MBB, the other main condition has centred on the risks affecting Airbus. Mr Reuter has said all along that, since Airbus is heavily dependent on European governments and is likely to be unprofitable until the year 2000, Bonn had to come up with exchange rate insurance to cover the risk of a further drop in the dollar, in which international airlines are priced.

He says he is content with the exchange rate agreement. If, over the next decade, the dollar falls below DM 1.60 - the value below which the Government will no longer cover currency losses - Daimler-MBB would have to consider increasing purchases of components from the dollar area.

The dollar has recently been hovering just above \$1.70. Mr Reuter does not go as far as his friend ex-Chancellor Schmidt, in predicting a rate of DM 1 to the dollar in coming years, but is not optimistic about the future strength of the US currency. So part of Daimler's strategy will be to source far more aerospace components purchases abroad, either from the US or south-east Asia.

Mr Reuter adopts an optimistic tone about two possible hurdles to the deal with MBB - the Federal Cartel Office and the trade unions. He says he can "understand emotionally, but not with my reason" the point made in the past by Mr Wolfgang Kartte, president of the Cartel Office, that Daimler-MBB link portrayed by some in Germany as representing "a revival of fascism."

Arguments against the deal from IG Metall, the metal workers union, "have to be taken seriously" but are "essentially political," he says. "In the factual discussions which we have held on a non-official level, I have never heard a serious argument against our ideas." - including, he says, from Mr Franz Steinkühler, the IG Metall chairman, who is a member of the Daimler supervisory board.

Mr Reuter adds that the chairman of the MBB works council has told him in the last fortnight that MBB union representatives will co-operate fully over future plans. "We have always said that it is certainly possible that in some sites, jobs will be lost." But, he says, "if it is true that this industry (aerospace) has great growth chances, then job losses in some areas will be compensated by growth-induced increases elsewhere."

A harbinger of the shake-up possibly on the way at MBB came earlier this month with the appointment of Mr Jürgen Schrempf, aged 44, as the chairman of Daimler's new Deutsche Aerospace division, which will own the stake in MBB. Mr Schrempf has no aerospace experience and is currently sales director for commercial vehicles. "It is important that Mr Schrempf can approach the work without preconceptions," says Mr Reuter. Indicating that he is waiting for a new aerospace culture at Daimler and MBB could take as much as a generation, he adds: "From the point of view of his age, Mr Schrempf can accept his task as a long term one."

Bicknell wins the prize

The report by the assessors on the competition to build the new British Embassy residence in Moscow reads almost as if the judges thought that none of the entrants deserved the award. "Several entries did not respond fully to the brief. No single scheme could unanimously be acclaimed as outstanding and the winner was chosen by a majority decision," it says. "The lack of response in some schemes to the important context of Spassovskaya Square is disappointing." And so on.

Julian Bicknell, who won, says that it is diplomatic language to conceal the fact that the assessors - diplomats and architects - were divided. In fact, he is delighted with the award. It is the first time that British architects will build in Moscow for over 50 years and renews a tradition that goes back well before the October Revolution.

Nothing has yet been said about the cost, however; nor has the Foreign Office reached an agreement with Moscow about the timing. That depends on what the Russians want to do in London.

A bit of LBJ

Not since Lyndon Johnson was a Democratic Senator risen so swiftly through the ranks to the position of Majority Leader as George Mitchell, the 55-year-old Maine Democrat who won an easy victory on Tuesday.

Mitchell, a former federal judge, only arrived in the Senate in 1980, and then as an appointee filling out the term of Senator Edmund Muskie, who had been called in by an embattled Carter Administration to take over as Secretary of State after Cyrus Vance's resignation.

Against the odds he won election in his own right in

OBSERVER

accountant. At Hepworth he raised profits and made a number of acquisitions, including the Henderson Group. It is a mixture of the international interests and the taste for takeovers that has led him to Trafalgar House. "Hepworth has a lot of expertise," he said, "but not an international base." He says he is a man who likes "to change the culture of a company."

Will Sir Nigel Brookes and the old firm allow him to change the culture of Trafalgar House? "You know the answer to that better than I do," he says rather cryptically. Will Trafalgar House be going in for new acquisitions or divestments? "Well, it already has a significant base from which to develop for 1992." Between the lines the answer looks like "yes." Ansell confirms what Brookes has already suggested: namely that the group will be watching the possibilities arising from the Water Privatisation Bill like a hawk.

1982 and then covered himself in glory when, as head of the Democratic Senatorial Campaign Committee, he helped to develop the strategy which saw 11 new Democrats elected to the Senate in 1986, the year the party regained voting control of the upper house. It is a fair guess that some of Mitchell's support came from grateful former Senators who would not be in Washington but for his political skills. Yet his victory is also a sign of just how badly the Democrats on Capitol Hill feel they need a Majority Leader - a man who can blossom into a national party spokesman - a job Mitchell's predecessor, Robert Byrd, was never comfortable with. Although somewhat earnest-looking, Mitchell showed during the Iran-Contra hearings that he can communicate effectively on television. And despite being a New Englander, he has managed to avoid being labelled a "liberal." His

City fitness

If Observer fails to appear in its regular form tomorrow, put it down to a 1½-hour work-out at the Barbican Health and Fitness Centre. One is told that it is his one or so later. At the time it feels rather good - riding an imaginary bicycle and rowing an imaginary boat alongside Duncan Goodhew, the swimming gold medalist at the 1980 Olympics. Goodhew is a non-executive director.

The only problem is what to think about when doing the exercises, for 10 minutes fast pedalling in order to stay in the same place seems a long time. There is little doubt, however, that the Centre, officially opened in August, has taken off. Indeed it is a veritable hive of activity and the atmosphere is happy rather than fanatical. Some of the members have to be virtually driven out when it closes at 10.30 pm.

There is an £200 joining fee for individual members, which can be staggered over a year, and dues of £35 a month. Corporate membership, for 10 or more employees, allows a 25 per cent reduction in the joining fee. David Gianpaolo, the general managing director, says that it is a company perk. The Centre may very soon be full.

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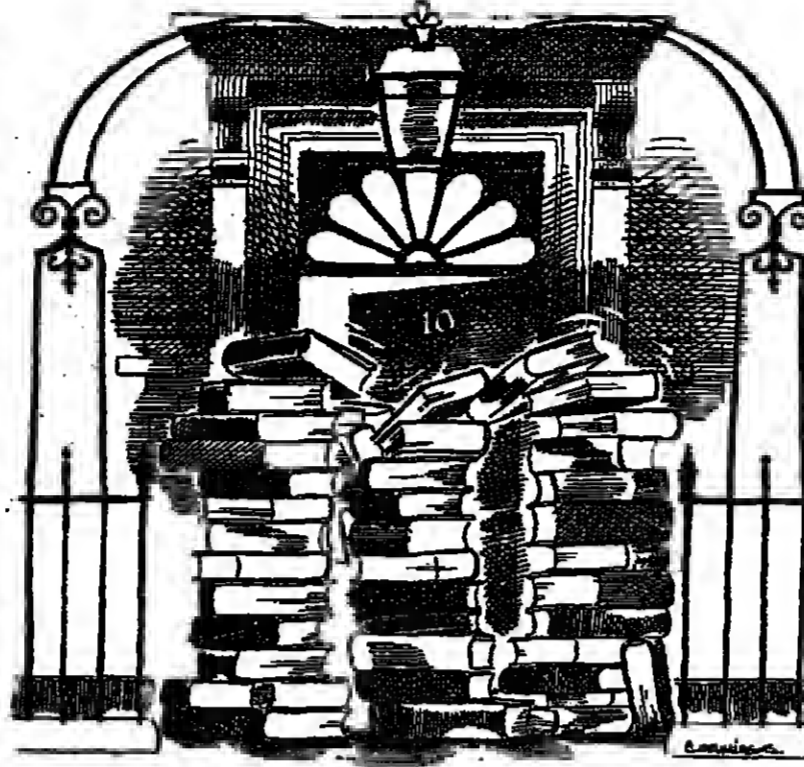




ECONOMIC VIEWPOINT

Political economy of Thatcherism

By Samuel Brittan



With the tenth anniversary of Mrs Thatcher's tenure as Britain's Prime Minister looming next May, we are threatened with a torrent of books defining, interpreting, supporting and opposing something called Thatcherism. Robert Skidelsky has got in first with a book he has edited based on a series of lectures at Warwick University in the spring of 1988. A good empirical starting point is that there has been no upsurge of support for Thatcherite values even in the years of electoral triumph. There are modest anti-permissive majorities on some social issues, although smaller than in 1974 when Labour won two elections. There have nearly always been solid majorities for extending welfare even at the expense of higher taxes. Privatisation is even more unpopular than attempts to ban Sycophancy and the Government has enjoyed least support (28-30 per cent) in its opposition to corporatism. Most voters think that university business "should be involved" in decisions about the economy.

Thatcher to more basic issues of political economy to which we shall have to return when the present fixation with the British Prime Minister has been forgotten. Hahn was one of the leaders of the famous group of 384 economists who wrote a public letter of protest at the government's economic policies in 1961. He explains that there is no fully formulated body of knowledge concerning "the behaviour of a market economy when it is not in a coherent state which we call equilibrium or, nowadays, rational expectations equilibrium." But Hahn happily concedes that left-wing interventionists are "equally incapable of getting their economics straight" on that kind of rigorous general equilibrium level. He rightly says that the case for the market economy owes more to the political economy of writers such as F.A. Hayek and Joseph Schumpeter than to general equilibrium analysis. He also says that the more he studies the evidence the more convincing he finds Hayek's connection between a market economy and liberty. Even on the material side he accepts that a market system provides a better way of signalling and using dispersed information than any planner can. Indeed Hayek himself has just produced an important new statement of his general position. Instant reaction to a book which ranges from evolution to religion and ethics in its account of spontaneous non-designed systems would be wrong. But there is, nevertheless, as Hahn says, a sense in which Hayek "gave up too soon." It is certainly possible, as Hahn suggests, that conscious economic policy might improve the information signalling properties of a market economy - although not, please, by following Hahn's recommendation of "instructing state managers to act as they are supposed to do in the textbooks." I have tried to explain in my own writings why you do not make a donkey into a zebra by painting stripes on its back. I have also tried to test principles taken from Hayek's earlier works by applying them to a number of important policy issues in a way that few card-carrying Hayekians care to do. When one does this, it soon becomes clear that, despite the Prime Minister's professed admiration for Hayek, there is a sharp contrast between the role of impersonal law and respect for evolved established institutions enunciated by the profes-

or and Mrs Thatcher's own hostility to all constitutional restraints on the discretion of the government of the day. Ralf Dahrendorf, Warden of St Antony's, Oxford, in his chapter in Thatcherism complains that the Government is undermining many of the intermediate institutions between the citizen and the state, from universities to local authorities. Such institutions reinforce personal freedom by establishing alternative standards of power and also soften the edges of authority and thus make it more palatable. The greatest paradox of Thatcherism, and to some extent Reaganism, is the contrast between their economic individualism and their authoritarianism in other areas. This contrast is one of the themes of a book by K. Hoover and R. Plant called Conservative Capitalism. The authors clearly identify the strains between the individualist and traditionalist currents in contemporary conservatism. They make matters a little too easy for themselves by identifying the first with Thatcher

and Reagan and the second with post-war consensus conservatism. For tensions exist within Mrs Thatcher's own thinking. This emerges to a ludicrous extent in the muddled White Paper on broadcasting which, in alternative paragraphs, argues for more choice and more censorship. Hoover and Plant hint at this contrast but do not really explore it. I was also disappointed that they did not follow up their own insights about the effects on the case for capitalism of that case being taken over by conservative parties from the old classical liberals. The latter valued non-conformity and constitutional restraints and worried about the legitimacy of property rights. It is these differences with the new rights that made me call my own book A Restatement of Economic Liberalism. The strong point of Hoover and Plant's Conservative Capitalism is the analysis by the authors of the New Right critique of the post-war consensus. They bring together the threatened overload on governments, the effects of interest group pressures, the dangers of bureaucratic power, the

potentially unlimited nature of so-called economic rights and the distortions imposed by the political market place. Many of these criticisms are shared by people who are no part of the New Right. For instance Sir Henry Phelps Brown concludes a monumental study on the practical and theoretical aspects of egalitarianism, which he very much favours in principle, by warning that "in considering the redistribution of income and wealth, we are dealing with the benevolence of those who give, not with the rights of those who receive. To describe the claim that other people make on our sympathetic consideration as human rights is a misnomer." Raymond Plant himself, in looking for new directions for the Left in Britain, also endorses some of the New Right criticisms of the postwar Welfare State. He makes the case for benefits in cash rather than in kind. Indeed he would ultimately prefer a guaranteed basic income - something very different from a minimum wage - to the present mass of specific benefits. In the meantime he sees some virtue in greater selectivity to concentrate help on those in need. He criticises Labour's tradition of willingness to put power in the hands of "experts" and toys with the idea of vouchers for some welfare services. It would be tempting for a classical liberal to find common ground with a market socialist such as Raymond Plant on policies which take personal choice and individual rights more seriously than conservative parties ever will. Such authors are also more sensitive to issues of distribution; they realise that there are other values than those of strict commercialism. Fundamental differences would still remain, however, on equality as an ideal and on where the onus of proof should be in matters of intervention and redistribution. But just as one should distinguish between Mrs Thatcher, the politician and new right theorist so one should distinguish between revisionist left-wing writers and the real world of the left and centre establishments. If, as 1989 approaches, we move beyond high theory to Thatcherism as a method of government, the appropriate verdict is probably that of Skidelsky. "It may have been necessary to break out of the corporatist and bureaucratic impasse of the late 1970s; but the analysis was over simple, the means crude and mean." Just go to a few pre-Christmas cocktail parties in London and Oxford and ask whether you would really like the old establishment to take over again just yet. Books mentioned in this article are: Robert Skidelsky (ed); Thatcherism, Chatto & Windus, £18.00. F.A. Hayek; The Fatal Conceit, Routledge, £30.00. Samuel Brittan; A Restatement of Economic Liberalism, Macmillan, £2.95 paperback and £9.50 hardback. K. Hoover and R. Plant; Conservative Capitalism in Britain and the United States, Routledge, £2.95 paperback and £9.00 hardback. Henry Phelps Brown; Egalitarianism and the Generation of Inequality, Clarendon Press, Oxford, £40.00.

LOMBARD

A better way to finance students

By Clive Wolman

LET US suppose, for the sake of argument, that the British Government has got it right in selecting the student maintenance grant as the next best state welfare state which is ripe for attack. The problem then becomes one of how to finance an individual's investment in higher education. In principle, that ought to be easy because the prospective returns - about 25 per cent, according to the Government's own statistical analysis - are so much larger than most investments in the British economy. The recent white paper, however, only considers debt. It then attempts messily to patch up the defects of this particularly inappropriate method of finance. The trouble with loan finance - at least, once it becomes the primary way of meeting a student's living costs - is its high risks for the borrower. The 18-year old sixth-former, when deciding whether to go into higher education or to take an immediate job, faces the prospect of being saddled with a heavy burden for many years, if he/she ends up as a graduate on low earnings. Such risks will deter the very categories of teenagers that the Government needs to encourage most to enter higher education, namely those from backgrounds which fall to provide any sense of financial security or self-confidence, and which put a low value on education. But if the Government believes its own figures, why should it turn down an opportunity to make such an attractive investment itself? What it should be doing is offering finance for students not in the form of debt, but of equity. And that means taking a share of the students' earnings after their education is completed. Private sector providers of equity finance for students are unlikely to appear. This is because they would find it prohibitively expensive to assess and collect part of the earnings of a graduate. But the Government already has the assessment and collection machinery available through the income tax sys-

tem. As the white paper points out, graduates already contribute to the costs of their education by paying - on average - higher taxes. The unfairness is that they pay no more than people on the same earnings who have not had the privilege, nor incurred the costs, of higher education. Under an equity-finance system, those graduates who have been beneficiaries could be given a different PAYE coding by their tax offices. This will mean that they have to pay what will be in effect a higher rate of income tax when, for example, their earnings exceed the national average. Individual students could be offered a choice: no finance at all, a traditional loan, or equity finance either with a high "surplus" rate - perhaps 6 per cent on all taxable income - for a few years or a low rate of say, 3 per cent on that slice of earnings above the national average for 30 or 40 years. The terms of the packages would be set by applying the normal principles for evaluating equity investment, with two exceptions. The Government might introduce a subsidy by seeking a lower expected rate of return (as it has with its proposed loan scheme) and there would be no attempt to discriminate between different students. Graduates could also be granted a "call option" to allow them to buy out the Government's stake and remove the additional tax burden by paying a lump sum prematurely. Such an option might alleviate some of the disincentive effects of higher tax rates. The Government's proposals already show signs of being drawn towards this sort of solution by the difficulties of demanding repayment from graduates who remain on low incomes. One of the four possible schemes outlined in the white paper would allow the repayments to be set at about 4 per cent of taxable earnings until the debt was repaid. But such a solution would be unnecessarily complicated administratively, as payment would be separate from the income tax system and would still bear heavily on those with low but taxable incomes.

LETTERS

Savings are no help

From Mr Ian Barnett. Sir, Mr Donald Franklin suggests "How to increase the incentive save (November 23) that overcharging could be eased if the savings rate was increased by abolishing taxation on the interest from personal savings. But if people save to maintain a given future income stream, then removing the tax would mean that they save less, not more. Removing the tax merely has the effect of increasing disposable income. Mr Franklin's argument relies on consumers saving any extra income, and financial institutions deciding not to cut their deposit rates to the net rate previously sufficient to attract adequate inflows. The suggestion that interest payments are subject to "double taxation" also confuses the taxation of the income stream with the taxation of the capital saved. Removing this distortion on only a few relatively unimportant assets would tend only to redirect savings into tax efficient forms, rather than increase the level of savings. It also ignores the distortion, currently in the tax system, whereby house purchase, the most important form of personal saving, is subsidised by the Government. Mr Franklin seems to neglect the point that, although the taxation of interest might be manipulated to improve incentives for saving, it is unlikely to alter the fundamental factors responsible for the fall in the measured saving ratio in the 1980s. Given the current state of statistics, this may underestimate the true savings rate by almost 10 per cent. Ian Barnett, McCaugham Dyson Capel Cure, 65 Holborn Viaduct, EC1

Patterns in the crystal ball

From Mr David Redfern. Sir, Ralph Atkins is perfectly correct when he writes (November 23) that "It might be, however, that the indices (for predicting business cycles) are fundamentally flawed." If they cannot even reliably predict previous events, it seems reasonable to think that something is missing from their composition. Why, for example, is the factor of land value omitted, when reports of businesses abandoning the struggle, when rents are doubled at review time, come in from all sides? A simpler and much more reliable indicator, at least of long-term trends, and involving land values, was proposed some time ago by Homer Hoyt at the University of Chicago. He discovered in the US, where statistics are more informative, a set of clear sequences: peak in land values - peak in building activity; building - eco-

nomie recession; culminating in the years 1819, 1837, 1857, 1874, 1918 and 1929. Apart from the displacement of 1918, probably connected with war, these dates suggest a regular business cycle of the order of 18 to 20 years; moved primarily - as Henry George suggested in "Progress and poverty" (1879) - by the expectations of the land speculator, rising to the point where they become unrealistic. The situation in 20th century Britain is less clear. What evidence there is, however - peaks in land values in 1936 and 1973, recessions in 1938 and 1974, and the beginning of post-war resurgence in 1955 - implies that the same mechanism could well be operating here. If it is, the next major recession is due about 1992. David Redfern, 15 Fernell's Close, Eastbourne, East Sussex.

Seeking the next step in Northern Ireland

From Mr Jeremy Burchill. Sir, I refer to your editorial on the Anglo-Irish Agreement (November 15); the past three years has seen an upsurge in the level of terrorist violence. This is attributable in no small measure to the psychological boost republican terrorists have derived from the loss of British sovereignty in Northern Ireland, attendant upon the Irish Republic's unprecedented involvement in the internal affairs of part of the UK. The British community in Northern Ireland remains in a state of passive alienation. Since that community is holding the front line in the war against terrorism, in the long term it can only prove self-defeating to allow this state of affairs to continue. While it is understandable that the Government is reluctant to admit that its policy has been based on a flawed analysis, it is now imperative that active steps be taken to

renew Ulster's sense of belonging, as an integral part of the UK. An "integrationist" approach is called for. After 17 years of "direct rule" there remains little of the devolutionist ethos, especially amongst the young and middle-aged. Because many Irish citizens willingly come to reside in Britain, thereby coming under Westminster jurisdiction, there can be little basis for those who aspire to Irish citizenship, and who live in Ulster, holding any legitimate grievance at such a step. In truth, legislation is merely a democratisation of direct rule. The Government must have the magnanimity to bring the Hillsborough debate to a conclusion. All political power resides at Westminster. From that quarter alone can any initiative be taken. Jeremy Burchill, 19 Tollymore Road, Tollymore Park, Exeter.

appropriate languages. And the Czech regions were the richest in the whole empire. (Contrast that with Northern Ireland, the slum of the European Community, where nearly all MPs are aggressively Protestant.) European experience suggests a minimum package for staying in Northern Ireland: ● Job reservation for each community at all levels; ● Voting by community, or at least PR, to ensure fair representation; ● Outlawing discrimination; ● Huge subsidies to get the region above the current Neapolitan level of poverty. And no-one believes in British justice except the British: every sensitive case should have a judge from the Republic of Ireland sitting in. That includes re-trials, ad finem, of cases such as the Guildford and Birmingham "bombers." George Stern, 6 Eton Court, 6 Shepherd's Hill, N6

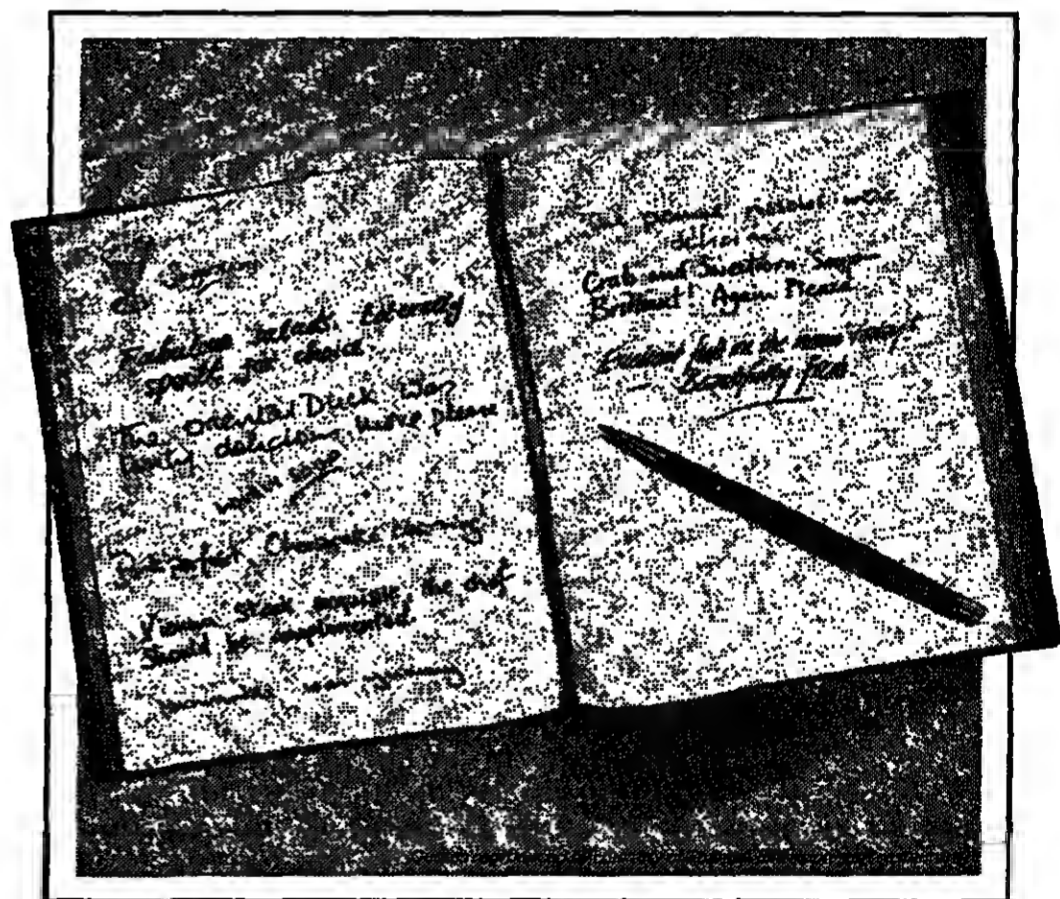
Call it a payment rather than a tax . . .

From Mr Harvey Cole. Sir, in view of the widespread anxiety as to how President-elect Bush will succeed in reducing the US budget deficit without breaking his pledge not to increase taxes, may I put forward a modest proposal?

Let him announce something with a grandiose title - a "Federal Resurgence Contribution," say. This would be a payment (not a tax) calculated at so much per thousand dollars of income above a threshold figure. The money would be repaid, with interest, after a stated period. The key element is that there would be a choice between a voluntary and a required contribution. The former would carry interest at, say, 5 per cent, repayable after

four years. The latter would yield only 1 per cent, and not be repaid until ten years. How the money would roll in. Harvey R. Cole, 9 Chilton Road, Winchester, Hampshire

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Lawyer fights Queensland state corruption

Chris Sherwell reports on a determined inquiry into abuses by Australian officials

Initially, it was a standard exercise in damage limitation. A television documentary called "The Moonlight State" broadcast in May 1987, exposed illegal gambling, prostitution and police bribery in Brisbane. Under pressure, the Queensland state government, headed for 20 years by the maverick Sir Joh Bjelke-Petersen, reluctantly agreed to set up an inquiry.



Sir Joh Bjelke-Petersen: from peanut farmer to premier.

November, he suddenly sacked five ministers. One of them, Mr Mike Abern, said the Commission was "a factor" behind the move. In the crisis which resulted Sir Joh lost. He resigned and Mr Abern, now 46, became the state's new Premier.

Moscow may yield on arms talks

By Ian Davidson in Mont Saint-Michel and Judy Dempsey in Vienna

THE SOVIET Union might agree to start talks on reducing conventional arms throughout Europe without prior agreement on whether a human rights conference should be held in Moscow, Britain and France now believe.

France and Britain appeared yesterday to move closer on Soviet human rights, with Mr Mitterrand whose Government recently accepted the idea of a Moscow meeting in principle - going some way towards endorsing Mrs Thatcher's doubts.

Row over extradition of ex-priest intensifies

By Charles Hodgson in London, Kieran Cooke in Dublin and David Buchan in Brussels

A POLITICAL row between Britain and Ireland over the case of Mr Patrick Ryan, the Irish former priest wanted by London for alleged terrorist offences, intensified yesterday after reports of flaws in British extradition papers.

US backs early meeting of G7

Continued from Page 1

and officials to evaluate the economic indicators which are used to guide policy co-ordination among the Seven.

Bhutto seems assured of power

By Christina Lamb in Islamabad

BENAZIR BHUTTO seems set to become Prime Minister of Pakistan after Mr Nawaz Sharif, acting leader of the Islamic Democratic Alliance, apparently conceded that he would not be asked to form a government.



Benazir Bhutto at the National Assembly yesterday

government benches. No member of the Alliance sat on the front benches - an admission that they had still not agreed upon a parliamentary leader.

Table with columns for location, temperature, and weather conditions under the heading 'WORLD WEATHER'.

Lawson defends policy on the pound

Continued from Page 1

and high interest rate policies. The economy did not require "shock treatment" as in the early days of Mrs Thatcher's first term when economic policy had to combat high inflation and deep-seated inflationary expectations, he said.

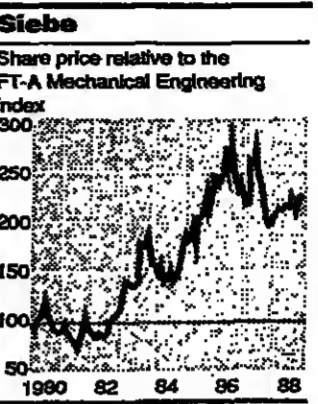
The Chancellor said the current account deficit, which the Government has forecast could reach £13bn this year, was a "safety valve" which allowed the country to reduce excess domestic demand without suffering too much pain.

He said that countries which could run such current deficits were those which presented attractive investment opportunities to international investors.

A dull finish on British Steel

THE LEX COLUMN

A smooth passage into the private sector for British Steel is in everybody's interests, and the Government, market makers, institutions and underwriters are doing their utmost in somewhat unpromising circumstances to bring it about.



Share price relative to the FT-A Mechanical Engineering Index

before - draws attention to a more fundamental threat to the system. It is possible to sympathise with Shearson's deliberate parody of recent trends. By quoting no spread at all in nominal size, and pointedly dealing in larger sizes at the quoted price for selected clients only, the firm is neatly demonstrating to the Stock Exchange that yet another piece of information - the spreads which firms are offering - can be withdrawn from the central arena.

Stock Exchange

It is too early to be sure, but it looks as if London's central equity market is in danger of disintegrating. Yesterday saw one member firm proposing to resume trading on the old Stock Exchange floor, two more being fined for late booking of bargains, and another making a nonsense of the screen-based system by consistently quoting the same price as both bid and offer.

LBOs

Never one to miss a good down-home populist issue, Time magazine is devoting its latest cover story to the issue of greed and the American buy-out, with special reference to RJR Nabisco. Nabisco's biscuits and smokes should soon have a proud new owner to take them out of the news headlines for a while, but the sight of the various bidders building debt castles to the sky has raised issues of principle which look likely to exercise the politicians for some time to come.

Siebe

Siebe is still paying the price for imitating the most aggressive mini-conglomerates in the great bull market, and even though its industry strategy is more soundly based, its long-term independence is by no means assured.

THE WORLD OF TI The first name in aircraft tube for eighty years. Includes text about improving links between education and industry, and a list of products like Accles & Pollock.

# Financial Controller (FD Designate)

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Our client is a small but very successful property developer. Their projects include office blocks, shopping centres and other commercial developments throughout the UK and the US.

Due to expansion, and the desire to expand the senior management team, the Board seeks a qualified accountant to:

- Assist in obtaining finance for projects.
- Monitor financial performance of projects.
- Manage the financial and accounting functions.
- Advise the Board on financial matters.
- Liaise with the accountant in the US.
- Prepare consolidated management and financial accounts.

The ideal candidate will have had property development experience and have the skills, knowledge and confidence to be able to represent the company to potential sources of finance, as well as clients.

It is expected that the successful candidate will work closely with the Directors and other surveyors in the professional work of the firm as well as in the management of the Group. Thus, mobility, combined with a hands-on approach, is necessary.

Please write with CV, salary history and day time telephone number to Steve McBride quoting ref FT05.

**ROBSON RHODES**

Chartered Accountants

Management Consultancy Division, 186 City Road, London, EC1Y 2NU.

# Splitting of hairs over impartiality

By Richard Waters

DO YOU know the difference between "impartiality" and "independence"? It's an important one, if accountants are to be believed, because they think they can give up the first without sacrificing the second.

The issue for this hair-splitting: the role that accountants play in contested takeovers, which has been considered in this column before.

The distinction between impartiality and independence comes from Coopers & Lybrand. The firm reasons as follows:

If you are helping one company attack another's

accounts, you can be partial and take your client's side. This does not impair your objectivity or your independence, provided the line you take remains within the accounting rules.

This is only possible in the first place because there are often two ways of accounting for the same transaction.

The Companies Act does not require accounts to show the true and fair view, but a true and fair view of a company.

More than one exists, and the accountant analysing a company involved in a takeover can take whichever view best

suits his client's interest.

The implications of this are important. If the accountant takes a view to suit his client, what does he say when that client comes along at the end of the year and asks for an audit of his own accounts? Does the auditor take a similar "independent" and "objective" stance? Or will he also decide that he needs to be "impartial"? And how can shareholders be sure what the position is?

Regular readers of this column will recall that Arthur Young faced just this problem when helping brewers Scottish

& Newcastle take apart Elders' accounts. The firm took a position on a controversial accounting issue (whether Elders should have consolidated all of its subsidiaries) which suited its client, S&N. It took the opposite view on the same accounting issue when considering whether an audit client, Next, should consolidate all of its subsidiaries.

Coopers' response is that the importance of the accountants' work in cases such as this is that it brings information before shareholders.

In the Elders case, they were given both sides of the story

and could make up their own minds about Elders' true position. Accounting (in the sense of how figures are presented) doesn't matter, provided shareholders are being given more information on which to base their judgments.

This is a strange approach from a firm whose chairman, Mr Brandon Gough, recently sat on the Dealing committee, which put forward ideas for strengthening the UK's system for setting accounting rules. If accounting firms like Coopers have decided that accounting doesn't matter, who is there left to champion it?

# Knocking copy 'can prove a distraction'

PRODUCING knocking copy on the other side's accounts is only a small proportion of what accountants do in takeovers and is distracting comment from the real value of their work, says Coopers.

For example, the firm fielded a team of 50 people recently to work on Minorco's bid for Consolidated Gold Fields.

Their role was to carry out the detailed analysis needed by the company and its merchant bank advisers, Morgan Grenfell, to mount their attack on the other side's management record.

Banks don't have the resources to do this work for themselves.

"We're not interested in knocking other people's accounts," says Mr Brandon Gough, Coopers' chairman.

"It's not relevant to the outcome of most takeovers." Analysis of the other side's commercial performance is more important and is a valid role for accountants, he says.

Unfortunately, companies often want their accountants to produce a report on accounting matters as well, and want them to stand by their views in public.

# Third reason found for including intangibles

A third practical reason for including intangibles such as brands in balance sheets has emerged.

The first two, it will be recalled, have been aired in the last week or so by Ranks Hovis McDougall and Hanson.

RHM needed to value its brands to reduce the problem of goodwill from future acquisitions. Part of the goodwill will remain in the balance sheet as "brands", reducing the amount that needs to be written off against reserves after future acquisitions.

Hanson's problem was slightly different. Under its

articles of association it can borrow no more than 2 1/2 times its shareholders' funds, which are depleted by writing off the goodwill from acquisitions.

So it is to ask shareholders to allow it to include goodwill when arriving at its shareholders' funds for calculating its borrowing powers.

This creates the interesting case of a "shadow" balance sheet which shareholders are being asked to believe bears a closer resemblance to reality than the company's published balance sheet.

The third practical reason also applies to acquisitive com-

panies. Under Stock Exchange rules, companies need the approval of their shareholders if they want to acquire another company whose assets exceed 25 per cent of their own. Increase assets by valuing brands and, hey presto, the need for shareholder support disappears.

This may be vital to companies which have large and potentially disruptive minority shareholders whose permission may not be forthcoming. RHM, it will be recalled, has Goodman Fielder with just under 30 per cent sitting on its share register.

There could be a sting in the tail, however. The 25 per cent test, which relates only to tangible assets, can be extended to intangibles with the Exchange's approval.

However, in such circumstances the Exchange can replace the 25 per cent figure with some other ratio. Its ability to move the goalposts like this could present it with some difficult decisions in the future.

These are the practical reasons for showing intangibles in balance sheets.

They do not make balance sheets any more useful, how-

ever: the last thing companies want to do is tell the outside world what they think they are really worth, for fear of attracting a takeover.

The companies which have tackled these issues so far are trying to solve practical commercial difficulties.

By doing so, they have thrown up a number of problems: how you arrive at the value of a brand, and whether you can show acquired intangibles but not existing ones, or some intangibles like brands but not others. These tricky questions have been left on the accountancy profession's plate.

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# Group Controller

from £60,000 + car + benefits London W1

Reed International is the leading UK publisher operating principally in the United Kingdom and North America. Having divested its manufacturing activities it is now well placed for further acquisitive growth.

Reporting to the Finance Director, the Group Controller will be accountable for external reporting, board level management reporting, tax and internal audit. The successful candidate will be aged 35-45 and be earning over

£50,000. He or she will have experience at executive level in a quoted plc, be a qualified accountant and have assumed a high degree of responsibility at an early age. Independence of mind, persuasiveness and the confidence to interact with, and gain the respect of, Board members and colleagues are essential requirements. The rewards package reflects the importance of this key position. As independent advisers to our

client, we will fully respect the confidentiality of any initial approach from those interested in discussing the position further.

Contact Miles Halford on 01-378 7200 extension 5193 or write to him quoting reference MCS/7007 at Executive Selection Division Price Waterhouse Management Consultants No. 1 London Bridge London SE1 9QL

**Price Waterhouse**

# GROUP FINANCIAL CONTROLLER

Quoted Property Group

Our client is one of the country's best known property plc's which has expanded considerably both in the UK and internationally over recent years.

This rapid growth has necessitated the new appointment of Group Financial Controller, reporting to the Group Financial Director and managing a team of financial accountants based in the UK and Europe. This important position is seen as both deputising for the Financial Director and working closely with him on significant issues.

Candidates, male or female, must be qualified accountants aged probably in their thirties. They should have a service industry background and considerable experience of the financial implications

of large contracts, although not necessarily gained in the property industry. Further, they will be expected to have the technical ability to give quick and accurate advice on all matters of accounting principle and to supervise a complex consolidation, as well as having the ability to motivate and lead the small accounting team.

The attractive remuneration package includes a salary in the region of £45,000, fully expensed executive car, and other benefits associated with a major group. Location - West End of London. Please reply in confidence to Michael Hann, Bull Thompson & Associates Ltd., 63 St. Martin's Lane, London, WC2N 4JX, quoting reference 1505.

**Bull Thompson**

CORPORATE AND RECRUITMENT CONSULTANTS

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# FINANCIAL CONTROLLER

c. £25,000 + CAR

Having built a solid base of "Blue Chip" clients, we are now planning a substantial development of the business over the next three years.

This demanding role requires a qualified accountant with commercial flair as well as sound technical skills. Reporting directly to the board, the task is to develop improved accounting and reporting systems, and to assume total control of the treasury function. We see this appointment as a very high

profile role and the requirement is for a proactive rather than reactive accountant who can make an immediate contribution at senior management level.

The successful candidate will probably be aged around 30 and have several years commercial experience in a fast moving environment.

The remuneration package includes a fully expensed car, pension scheme and BUPA. The salary will not be a limiting factor to the right candidate.

Suitably experienced accountants should write, enclosing full CV to Box Financial Times, 10 Cannon Street, London EC4P 4BY



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C. London

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After 18 months, progression is envisaged into a senior strategic planning role. Please contact JANE EASTON on 01-404 3155 at ALDERWICK PEACHELL AND PARTNERS LIMITED, Accountancy and Financial Recruitment, 125 High Holborn, London WC1V 6QA.

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Reporting to the Chief Executive, you will take total responsibility for all aspects of financial and management accounting and computer related matters. Your initial priorities will be to review all computerised control systems and reporting procedures in addition to the management and development of the existing Finance Department. As a key

member of the executive team you will be expected to make a significant contribution to the strategic development and planned growth of this innovative company.

Candidates should be qualified Chartered Accountants who have gained a broad base of accounting and management experience in commerce, financial services or related areas.

Ambitious and assertive, with good interpersonal and communication skills, you will be looking for an opportunity to consolidate your already successful career.

Please write in confidence with career summary and salary details to Rita Davidson quoting ref. RD/885.

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Mirror Group Newspapers is a forward thinking Company in a fast moving industry. To support a strategy of expansion and the planned flotation of the group as well as international opportunities leading up to the 1990's the following positions have been created:

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A general and experienced accountant to head up a specialised team designed to contribute to the performance of the Company and its new publishing activities and be an integral part of the management team.

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## Finance Director

INSURANCE - c.£50,000

A successful and long established US-owned non-life insurance company, which runs its international business from a London base, has a need for a Finance Director and Secretary to manage a head office department of about 20. The person appointed will be part of a top management team of five directors and will have functional supervision over a number of overseas offices. The functional link with the US parent is also important.

We would like to hear from chartered accountants in their late 30s or 40s who

head the finance function in a small company or are one step down from this in a larger company. An ideal background would be in a US-owned insurance group but acceptable alternatives could come from UK insurance or possibly a US-owned financial institution of another type. Computer systems familiarity and foreign currency and tax experience are desirable.

We see this as a challenging and rewarding position for a professional who can operate at a senior level and

also deliver the detail.

Send cv, including a daytime telephone number, in confidence to Humphrey Sturt, Ref: HS966, Coopers & Lybrand Executive Resourcing Limited, Shalley House, 3 Noble Street, London EC2V 7DA.

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Greene, King & Sons, plc

## Finance Director

Greene King is a very well known and financially successful quoted regional brewer, based in Bury St. Edmunds, and trading throughout East Anglia and the South East. Its management rests in the hands of the founding families, which are dedicated to its continued growth and independence.

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The successful candidate will probably be aged about 40,

preferably with a consumer goods background. Previous plc Main Board experience is not absolutely essential.

Terms will be fully negotiable and will include a full range of executive benefits, long term service contract, full removal expenses etc.

Please send a detailed C.V. including contact telephone numbers, in strict confidence to: Peter Wilson, FCA at Management Appointments Limited (Search and Selection Consultants), Finland House, 56 Haymarket, London SW1Y 4RN. Tel: 01-930 6314.

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## Assistant Group Treasurer

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— International

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mentation experience would be desirable. Personal qualities should include high intellect, self motivation, good communication skills and the ability to work effectively as part of a team.

The competitive salary package is negotiable depending on experience and qualifications. Performance will be rewarded.

Interested applicants should write enclosing a comprehensive CV and daytime telephone number, quoting Ref: 282 to Barry Oliver, BA, ACA, Whitehead Rice, 295 Regent Street, London W1R 8JH. Tel: 01-637 8736.

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Candidates (male or female) must have experience of consolidation work and computers.

For more information, contact George Ormrod B.A. (Oxon) on 01-836 9501 or write with a copy of your CV to Douglas Llambias Associates Limited, 410 Strand, London WC2R 0NS, quoting reference no. 2679

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This is an outstanding opportunity to join a successful organisation, which will recognise your commitment and abilities, encourage your ambition, and reward you with an excellent remuneration and benefits package. In the first instance please telephone L.J. Associates on 01-388 5465, or write enclosing a full c.v. Please list any companies to whom your application should not be sent.

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c. £30,000 + benefits + car

Chartered Trust plc., one of the country's foremost finance houses, is a wholly owned subsidiary of Standard Chartered Bank, one of Britain's major international banks with assets exceeding £25 billion.

We wish to appoint a Chief Accountant to assume responsibility for meeting the financial and management accounting and taxation requirements of the company and its subsidiaries, with an overriding brief to enhance our already advanced management information and control systems. As a member of the senior management team, the Chief Accountant will also be involved in projects of strategic importance.

The successful candidate is likely to be a dynamic and commercially-orientated graduate accountant, probably in his/her 30's, who has at least five years' successful line management experience in a progressive financial control function. A knowledge of the financial services sector would be an advantage and a strong computer systems awareness is an important requirement. Well developed interpersonal and managerial skills are essential.

A comprehensive remuneration package will include a competitive salary and attractive financial sector fringe benefits. Career development prospects are excellent. Generous assistance will be offered, if appropriate, in relocating to the Cardiff area which offers an excellent choice of coastal, rural and city locations.

Please apply, in strict confidence, by sending comprehensive career details to:

J. A. Roberts, General Manager, Personnel,  
Chartered Trust plc., 24-26 Newport Road, Cardiff CF2 1SR.  
Telephone: Cardiff (0222) 473000 ext. 2125



Chartered Trust  
A member of Standard Chartered Bank Group



Group Financial Analyst

An Exciting Challenge London, c £30,000, Car

## Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR  
A Member of Blue Arrow plc

London Regional Transport is currently undergoing a period of significant, rapid and stimulating change. There are exciting challenges ahead and this key role is vital in contributing to the management of growth, combined with the requisite improvements in safety and efficiency. A qualified accountant with several years commercial experience to provide top management with detailed financial analysis of results, budgets and long range plans is sought for the new position of group financial analyst.

The most important attributes sought are the intellectual capacity to assimilate wide-ranging detail; the ability to identify significant areas of concern; to be able to put forward practical solutions; and to be an effective and skilled communicator. Likely age range is late 20's to early 40's. An excellent benefits package is offered.

London Regional Transport controls London Buses, London Underground and the Docklands Light Railway, with a turnover approaching £1000m and there are plans for further extensions to the system.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, A.D. Payne, Accountancy Division, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB. 01-734 6852, Fax: 01-734 3738, quoting Ref. K17009/FT.

## Manager — Financial Analysis & Control

c.£30,000 + car

This client is a major service sector organisation which is based on a large and wide spread high technology infrastructure. Developing that infrastructure further, in response to strong demand and the opportunities of advanced technology involves sustained capital expenditure approaching £100 million per annum on a range of complex and very interesting major projects. Effective evaluation and presentation of these projects is central to the pace of the development programme.

Involvement is key to the Manager's role which carries responsibility for planning, evaluation and control of these projects, and management of the fixed asset accounting. A sound understanding of the operational requirements and a grasp of the overlaps and consequential effects means that mastery of detail has to be combined with some breadth of vision. There is a team of analysts, accountants and support staff to lead and high standards of evaluation and presentation are the norm. Establishing good working relationships with operational management and an ability to present at a high level are important.

Some practical experience of investment appraisal of major projects is required gained in a large scale corporation or other organisation. An accounting qualification and/or an economics, business studies or maths/engineering related degree is required. Experience of computerised financial modelling would be an asset.

Location - Central London.

Please reply in confidence quoting reference L385 to:-

Brian H Mason  
Mason & Nurse Associates  
1 Lancaster Place, Strand  
London WC2E 7EB  
Tel: 01-240 7805

Mason & Nurse  
Selection & Search

## Hoggett Bowers

### Group Financial Director

Manufacturing, West Midlands, c.£35,000, Equity Participation, Car, Benefits

The consequence of a recent management buyout is a superb opportunity including a share in the action for a financial director seeking a strategic role in guiding a company through a five year period of organic and acquisitional growth. With a turnover of £10m the company is the largest manufacturer in its field with well laid plans for expansion of the product range and customer base. Reporting to the group chief executive the group financial director will also be expected to take a thorough professional command of computerised systems, financial, management and statutory accounts, cash and budget preparation, inventory and credit control with the support of a small dedicated team. Likely to be aged in your thirties, you will have been involved in acquisitional work, possibly in manufacturing and have had dealings with outside financial institutions. The remuneration package including equity participation from the outset, makes this a truly outstanding career prospect.

K.R. Miller, Hoggett Bowers plc, 7 Lisbon Square, LEEDS, LS1 4LZ, 0532-498061, Fax: 0532-444001. Ref: L18064/FT.

### Group Financial Analyst

Immediate Challenge! London NW1, To £28,000, Car

Our client, the UK subsidiary of a publicly quoted group (turnover £290 million) currently seeks an ambitious accountant to contribute to the strategic growth of the business. Within this pro-active role you will undertake specific studies for senior management embracing potential acquisitions and evaluate major capital investment projects. In addition you will oversee a managed team of auditors engaged in the efficiency of all controls and related systems linked to a national multi-branched network. The ideal candidate aged mid 20's to 30's will be qualified with a minimum of one years post-qualification experience within the profession or commerce. A 'hands-on' individual is required who has the ability to work within a fast developing organisation with ever changing needs. Effective interpersonal skills are essential coupled with team building attributes. Excellent opportunity for advancement within the UK headquarters and the group whose ultimate goal is profitable growth through efficiency, skilful marketing and innovation.

A.D. Payne, Accountancy Division, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-734 6852, Fax: 01-734 3738. Ref: K17010/FT.

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office quoting the appropriate reference.

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

A Member of Blue Arrow plc

## Financial Director (Designate)

North West London c £30,000 + car

Our client, is a young and highly ambitious company, specialising in importing and marketing contemporary office furniture. Established in 1985, both staff and turnover have more than tripled and the company anticipates further dramatic growth in the next few years. They are already recognised amongst the market leaders in their field and they have future plans for diversifying into manufacture and design. They have subsequently identified an urgent need for a Financial Director (Designate).

Reporting to the Managing Director, the candidate will be a qualified accountant with proven management and commercial skills. The incumbent will take immediate responsibility for all financial and administrative functions and will be expected to make a significant contribution to the future growth and development of the company.

Ideally, candidates should be aged between 27 and 34, with achievements in the field of business development and strategy planning. A graduate ACA/ACMA/ACCA with stamina and genuine commitment is required for this challenging and demanding role. A Board position is expected within the year; the speed of the appointment being directly related to performance.

Interested candidates should send a detailed CV, including current salary to Carol Jardine at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH quoting reference LM269.



SPICERS EXECUTIVE SELECTION  
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

## FINANCIAL SYSTEMS ACCOUNTANT

c£25,000 + Financial Sector Benefits

Abbey National is a confirmed leader in the growing financial market place; we maintain this position by constantly developing our facilities and recruiting people with exceptional ability. We have the opportunity for an ambitious individual to join this successful expansion in the Group Finance Department as a Financial Systems Accountant. As a qualified Accountant with experience of implementing a general ledger or alternatively having worked as an end user within a large company, preferably using MSA, you'll have gained the necessary experience for this position. Working with your staff in a team environment, it will be your responsibility to implement financial systems to approved existing requirements. You will need initiative and good organisational abilities to prepare relevant documentation, procedure manuals and develop accurate management reporting information. Good communication skills are essential, as you'll conduct training sessions and liaise with other departments and external bodies associated with this important development. In addition to excellent prospects for career development and attractive salary, we offer a full range of benefits which include profit share, concessionary mortgage and relocation assistance where appropriate.

To apply please send a comprehensive CV to Bill Whitehead, Personnel Department, Abbey National Building Society, Abbey House, Baker Street, London, NW1 6XL. The closing date for completed applications, which are invited from all sectors of the community, is the 16th December, 1988.



## Finance Director (Designate) Property

London circa £70,000 + executive benefits

Our client, a leading publicly-quoted property group, has established a significant presence both in the UK and overseas with a £400m portfolio of investment properties and an active development programme. Founded over 50 years ago, the company has built a reputation for first-class property management and high-quality commercial development.

An exceptional opportunity has now arisen for a chartered accountant to head up the finance and treasury function. Reporting to the managing director, you will play a key role in the management and direction of the business which will include development of strategic policies, acquisition and performance reviews and significant involvement with the City. Supported by three chartered accountants, you will also assume the full functional responsibilities expected at this level of appointment.

Probably aged 32-45, you will need to demonstrate the maturity and presence required to relate comfortably with the City together with the commercial awareness which will enable you to contribute positively at board level. Experience in treasury and acquisitions is also desirable.

The remuneration package will include a negotiable salary, executive car and a comprehensive range of benefits. In addition, it is expected that the appointee will be invited to participate in the company's share option and profit-related incentive schemes.

If you match this profile, please send a comprehensive career resume together with salary history and daytime telephone number, quoting reference 2988, to Graham Perkins, Executive Selection Division.

**Touche Ross**

The Grosvenor House, 3/4 Holborn Circus, London EC1N 2HB.  
Telephone: 01-353 7361 Fax: 01-583 4551

## A demanding development role with one of the UK's most innovative retailers

### AUDIT CONTROLLER to £30k + car + bonus

The Habitat story is one of originality and uninterrupted success. Since our first store in 1964 we've maintained an impressive rate of growth, merging with Mothercare and BHS to form the Storehouse Group, and achieving a current Group turnover in excess of £1.2bn. Habitat itself is entering a further phase of development, opening more Edge of Town stores and anticipating a significant increase in turnover. To help meet this challenge we are now looking for an experienced Audit Controller to play a key development role within the Company Audit Group at our Wallingford Head Office.

Your first key tasks will be to develop your own audit function, and play a major part in the introduction of new stock control systems. As overall Head of the group, your role will then be to carry out regular financial and operational reviews across the

business, ensuring in time, that the group makes a significant and tangible contribution to the long term success and efficiency of the company.

Pragmatic and confident with fluent communication skills, you should have around 2-4 years post-qualification experience ideally gained in a retail or general commercial environment. Equally important, however, are your drive and commitment allowing you to make rapid career progress within a major retail group.

The financial rewards you will find are equally attractive. Up to £30,000 plus company car and bonus. In the first instance, please write with a full cv to Christine Mackness, Personnel & Training Controller, Habitat Designs Limited, Hithercroft Road, Wallingford, Oxfordshire OX10 9EU. Habitat a member of the Storehouse plc Group of Companies is an Equal Opportunities Employer.

habitat

## CO. SECRETARY/F.D. DESIGNATE

Qualified Accountant required as Financial Adviser/F.D. designate to Chairman of Beckenham-based Property and Housebuilding Company. This position would most suit a newly qualified Chartered Accountant interested in becoming involved in a fast expanding company with a possible public flotation in the near future. Salary in the region of £18,000 - £20,000

Please write, enclosing full CV to Mr I. Andrews, Crewbridge Estates Plc, 1 Kelsey Park Road, Beckenham, Kent.

## FINANCIAL MANAGER/DIRECTOR HUMAN RESOURCES

- \* Do you like an intense fast moving pace?
- \* Do you have the courage to move people to action?
- \* Do you always see things through to perfection?
- \* Do you believe people are a company's most important asset?
- \* Would helping management solve financial problems excite you?

Selection Research Limited is an established and rapidly growing Human Resource Consultancy with an expanding blue-chip clientele.

We now wish to appoint a

## FINANCIAL MANAGER/DIRECTOR

Our parent company is one of the largest human resource consultancies in the United States, with an annual turnover of \$27 million. Our selection interviews, developed through research into top performers in a wide variety of occupations, help organisations find and develop more of their best. You will be responsible to the Managing Director for the total accountability function, budgeting and forecasting information, advising on pricing policies developing systems, and managing the financial relationship with our parent company.

As with all our appointees we are seeking outstanding work attitudes and people skills as well as excellence in the appropriate expertise. You may be recently qualified; you may be older, looking for an

opportunity to combine your experience and innovative ability in a young and growing company.

Remuneration Negotiable  
Performance Related Element  
Qualified or Part Qualified Accountant

If you have answered "YES" to the above questions and are genuinely enthusiastic about this opportunity, write now stating how you fit our specification to:

Dr. R.A. Edenborough, Ph.D. Managing Director,  
Selection Research Ltd.  
Lincoln House, 5 The Hertham  
Centre, The Green, Hertham,  
Walton on Thames, Surrey  
KT12 4HL. Tel: (0932) 232019.



## Williams Holdings plc Divisional Accountants

Substantial Salary + BMW + generous benefits

Williams Holdings is among the UK's fastest growing and most exciting international groups. In six years turnover has leaped from £2m to over £1 billion. Further planned rapid growth in both the engineering and consumer sectors has led to the requirement to recruit two accountants to take up Divisional appointments.

Aged 28-36, candidates must be high calibre qualified accountants with an excellent industrial track record which proves their capacity for achievement, resilience and flexibility. They must be able to show a proven ability to conduct in-depth financial analyses and to influence the growth policies of industrial companies.

A demonstrated ability to work successfully with a variety of different management teams, and a potential for rapid development, are essential.

A substantial negotiable salary, quality car and usual large company benefits, coupled with the outstanding opportunities for rapid career progression within Williams, make these excellent opportunities for the right people.

If you are able to meet this specification, please write with full career details quoting reference AR162, to: Brett Bull, March Consulting Group, 33 King Street, Manchester M2 6AA.

**MARCH**

CONSULTING GROUP

High calibre - High potential - High profile

## STRATEGIC PLANNING RETAIL

Hertfordshire

to £28,000 + Car

With a turnover of c.£1.5 billion, this international retail organisation is a household name throughout the UK. Our client is one of their most rapidly expanding divisions, traditionally concerned with service, but now expanding into retail distribution and home installation. They have doubled their turnover to around £60 million over the past year and are dedicated to increasing it by a further 50% over the next twelve months.

They now seek an ambitious qualified accountant to join their management team and undertake a broad range of high profile strategic projects. Reporting to the Financial Director, your responsibilities will include:

- Capital project appraisals
- Evaluation of operational strategic projects
- Business analysis
- Formulation of, and budgeting for, new business initiatives

To succeed it is essential that you can make a real contribution to the company's development, whilst assimilating to a constantly evolving environment. Commercial flair and a confident, creative approach are essential qualities, as in the longer term, it will be your abilities that will define the scope and nature of your role.

In view of their ambitious growth plans, it is vital that you are able to progress to a more senior position within the Division or the Group. The package, which reflects the importance attached to this key appointment, comprises a highly competitive salary and quality car, together with a comprehensive range of benefits, including pension scheme and substantial staff discounts.



Please write in confidence, enclosing a full CV, quoting ref: A222 to Julia Church, at Mervyn Hughes International Limited, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Tel: 01-488 4114.

## Group Treasurer

Central London c£50,000 (inc Bonus) + car

The Treasurer of this dynamic group will work closely with the Finance Director and the main board on a wide area of corporate treasury matters. He/she will be responsible for the central treasury department including cash management and financing overseas subsidiaries (which will require experience of overseas transactions and foreign exchange dealing). Our client, a major international industrial group (T/O £800m), has experienced significant earnings growth in recent years, which should provide a platform for further opportunities in the future, including an aggressive programme of acquisitions. Applicants must be Chartered Accountants with relevant treasury experience in a major international firm. Ref: 1422/FT. Write or telephone for an application form or send full details (with day-time telephone number and current salary) to R.P. Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 01 493 0156 (24 hours).

Phillips & Carpenter  
Selection Consultants

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## Manager of UK Taxation

Salary in the region of £40 - 50,000  
+ discretionary bonus + car

Our client is a major force in the world financial services sector, with an enviable reputation for quality of service and product innovation.

As part of their continued global expansion they now seek to appoint a Manager to assume responsibility for its UK Taxation affairs. Reporting to the Director of Taxes and supervising two qualified tax advisors, the Manager's work will encompass the following activities:

- Supervision of UK Corporation Tax and VAT compliance.
- All UK Tax Planning.
- New business/product development.
- Advice to business units on tax related matters.
- Expatriate tax issues for senior executives.

The successful candidate will be in his/her mid 30's and will possess the following:

- A formal Tax/Accountancy qualification.
- A minimum of six years' corporate tax experience gained in either a public practice or financial services environment.

- A practical approach to tax problem solving and the ability to examine closely the legal aspects of tax implications.
- A keen commercial sense and confidence while liaising with senior management on formulating business decisions.
- The ability to react quickly and provide creative solutions to new problems.

The remuneration package includes a discretionary bonus, car, BUPA, non contributory pension scheme and salary which is negotiable for the applicant who meets these exacting criteria.

For further information regarding this outstanding opportunity, please contact Graham King or Chris Nelson on 01-831 2000, evenings and weekends on 01-785 6545 or write to them at the

Taxation Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH. Strictest confidentiality assured.



**Michael Page Finance**

International Recruitment Consultants  
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham  
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

## Finance Director (Designate)

North East

to £35,000 + Bonus + Car

Our client is a profitable £20 million turnover group engaged in the extractive and transportation industries. The group has an impressive record of recent growth maintained by a high level of capital investment and will make use of its recent USM listing for continued expansion through both acquisitions and organic growth.

They now wish to appoint a Finance Director (Designate) who, reporting to the Group Chairman, will assume full responsibility for the financial and commercial functions of the business. In addition to the normal managerial responsibilities associated with this level of appointment, emphasis will be placed on strategic and financial planning for the group and considerable contact with financial institutions is envisaged.

Candidates, aged up to 35, should be qualified Chartered Accountants who can demonstrate a track record of success in their career to date, gained preferably in the mining, construction or civil engineering sectors. In addition to technical ability, strong interpersonal skills and a practical approach to business and management problems are required. The salary package is first class including both bonus and executive share option schemes as well as relocation facilities.

Interested applicants should contact Frederick Howie, Regional Manager, quoting ref: NE009 at Michael Page Finance, 25 Collingwood Street, Newcastle-upon-Tyne NE1 1JE, or telephone him on 091-222 0545.



**Michael Page Finance**

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## Finance Director Designate

... for a small, dynamic Manufacturing Company  
c£25,000 + profit sharing + car North West

Our client is a successful and rapidly expanding company, employing some 250 people and with a turnover approaching £10 million. It produces domestic fittings sold largely to the building and construction industry and through major retailers. Recent and projected growth has created this new position to spearhead improved systems and controls.

Over £1 million has been recently spent on manufacturing improvements and the introduction of Micro VAX systems for key elements of cost and information control.

Reporting to the Managing Director and with a staff of 8, this is an outstanding opportunity to join a highly profitable company, to build your career and share in the rewards.

Aged 28-35 years, you will be a qualified Accountant, probably CIMA, with relevant Senior Management experience in the manufacturing industry and prepared to become deeply involved in the running of the company. Your personal skills must include independence, enthusiasm and drive to achieve results.

Salary is as indicated plus valuable profit share without ceiling, fully fuelled car, BUPA and relocation assistance to the North West.

Please write with full details, including salary - in confidence - to David Mather, Reference 31047.

**MSL International**

**MSL International, 12-18 Queen Street, Manchester M2 5HS.**

Offices in Europe, the Americas, Australasia and Asia Pacific.

investment appraisal accountant  
c £30k package outer london

## Ready to move into the wider world

As the Investment Appraisal Accountant for our Group Business Development

Department, which is responsible for business diversification strategy and

investment appraisal, your primary function will be the financial

evaluation of new business proposals including the identification and

evaluation of investment opportunities, reviewing methods of

finance for new projects and preparing extensive business plans.

If you are a qualified accountant with experience in the field of

financial services, a positive attitude, flair, initiative and excellent

interpersonal skills, for the close liaison with fellow

colleagues in the Group Business Development Department and

other divisions of the organisation, send your detailed cv to: Margaret

Canning, Recruitment Officer, National & Provincial Building

Society, Provincial House, Bradford, West Yorkshire BD1 1NL.

The Society is an Equal Opportunities Employer.

**National & Provincial**

## Finance Director/ Company Secretary

County Durham

to £30,000 + Bonus + Car

Our client is a substantial and long established manufacturing subsidiary of a major international Group. The Company is a market leader in its field and continued investment in the latest technology has created an organisation not only capable of exploiting its traditional markets but also those presented by new product development and changing consumer demand.

They now wish to appoint a Finance Director who, reporting to the Managing Director and supervising a staff of 50, will assume full responsibility for the finance and associated functions in a demanding business environment. In addition to normal managerial responsibilities, the Finance Director will be fully and proactively involved in all

aspects of the continued commercial development of the business.

Candidates, aged 30 - 45, should be qualified accountants who can demonstrate not only strong managerial and technical skills but also the determination, innovative ability and commercial acumen to contribute positively to the Company's future. As well as a first class remuneration package the Company offers full relocation facilities where appropriate. Career prospects within the Group are excellent.

Interested applicants should write to Frederick Howie, Regional Manager, quoting Ref: NE008 at Michael Page Finance, 25 Collingwood Street, Newcastle-upon-Tyne, NE1 1JE or telephone him on 091-222 0545.



**Michael Page Finance**

International Recruitment Consultants  
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham  
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

## FINANCIAL CONTROLLER Distribution

c£28,000 + car

Our client is a major UK publicly quoted group with substantial interests in the retail sector. The distribution division is assuming an increasingly important role in the company's operations and is currently undertaking a major investment and expansion programme.

Based West of London, the Controller will play a major part in the formulation and implementation of the company's distribution strategy. In a project oriented and interpretive position, he or she will be responsible for ensuring tight financial control of the division through the provision and analysis of management information, review of business plans and control of significant capital expenditure. Working closely with the Distribution Director, the Controller will be expected to make a considerable contribution to the management of the division during this period of intensive change.

Aged 28-35, applicants should be qualified accountants of considerable ability. Self confidence, strong analytical abilities and clear presentation skills are required.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/782/TF.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

## Financial Controller

Young ACA with FD potential

London W2

to £30,000 + car



As a young and rapidly growing international marketing and information services sector has brought this young, profitable plc to a £30m turnover in four years. About half of this business is generated in Scandinavia.

A talented young Financial Controller is needed to provide the MD and the Planning Director with professional support in all aspects of financial management, including acquisitions appraisal.

A Chartered Accountant with around 2 years post qualifying experience, you will be well organised and technically thorough whilst retaining flair and imagination. Your personality and potential will ensure a significant contribution to continued growth within a fast developing business.

Salary negotiable to £30K plus car, benefits and FD potential.

Please write with full C.V. to Peter Wallum, Strategic People Recruitment, The Range, Dockett Eddy Lane, Shepperton, Middlesex TW17 9NT.

STRATEGIC PEOPLE  
RECRUITMENT

## Group Financial Controller

Bournemouth

c.£30,000 + bonus + car

This flourishing, long-established, c£30m-turnover, private company has a number of diverse retailing, wholesaling and franchise interests. Its record of profitable growth has been matched by considerable investment in acquisitions and refurbishments in recent years.

Reporting to the Group Chief Executive, you will have overall control of all financial matters and assist in identifying, co-ordinating and controlling business activities and strategies necessary to achieve increased profitability and further expansion.

You will be responsible for the preparation of business plans, budgets and forecasts, continually monitoring progress, requiring an understanding of the business, and the ability to liaise effectively with senior management in the subsidiary companies.

A highly motivated, qualified accountant, aged 32-45, you should be an independent thinker with strong communication skills and the ability to achieve results. You will have had significant experience of managing and motivating a young, but enthusiastic, finance department, and of developing, implementing and improving computerised accounting, stock control and point-of-sale systems.

Critical characteristics will include a practical, hands-on approach, a positive, encouraging management style and the desire to enjoy thoroughly your work. Relocation assistance to this enviable location is available.



**PA Personnel Services**

Executive Recruitment - Human Resources Consultancy

Hyde Park House, 6th Knightsbridge, London SW1X 7LE.  
Tel: 01-235 6660 Fax: 01-235 0634 Telex: 27874

## MANAGER HQ ACCOUNTING

W. MIDDXX.

in excess of £25,000 + Car  
Excellent Benefits



An exceptional opportunity exists within this leading US hi-tech company, which has enjoyed rapid growth and achieves an annual turnover in excess of £5 billion. As a result of this expansion, our client is seeking an experienced Accounting Manager for its European Headquarters.

The position carries overall responsibility for accounting, financial reporting and services, conducted through a multitude of management and statutory organisations, and supporting a headquarters of approximately 1,000 employees. This key decision-making role, integral to the smooth running of the operation, provides excellent potential for career progression and involves considerable liaison with other areas of the company.

The ideal candidate will be a qualified accountant, aged about 35, with experience in a large multinational company environment. Essential qualities are good management skills, with a diplomatic and decisive approach.

To discuss this position in further detail, please contact Robert Walker or Claire Meacher on 01-629 4463 (01-977 9530 evenings/weekends) or write to them at the address below.

**HARRISON WILLIS**

FINANCIAL RECRUITMENT CONSULTANTS

Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 01-629 4463.



PRUDENTIAL HOLBORN

## FINANCIAL ACCOUNTANT

A key role in our Life & Pensions business  
c.£24,000pa + car + finance sector benefits. West End

Prudential Holborn's prestigious Life & Pensions products are part of a range of savings and investment plans we offer aimed at the high net-worth market. We are committed to becoming the leading name in this market and have already formulated a business plan to help us achieve this aim. Effective financial management plays a vital part in the realisation of our aim. This role, assuming full financial accounting responsibilities for our Life & Pensions business, is therefore a key one.

Leading a small, high calibre team, you will prepare statutory accounts and returns for the DTI, maintain and enhance our computerised accounting systems. The accuracy of the figures and quality of the service you will provide will have a direct impact on the performance of our Life & Pensions business.

We are looking for a professional with at least two years' post-qualification experience gained in a Life & Pensions Accounting environment. Self-motivated, communicative and able to produce results against strict deadlines will be essential. Knowledge of unit-linked and with-profits policies would also be desirable.

Salary will be around £24,000pa plus car and finance sector benefits which include non-contributory pension, low interest mortgage and interest-free season ticket loan after a qualifying period.

Please write, enclosing a full cv, to Rosanne Cole, Personnel Manager, Prudential Holborn Limited, 30 Old Burlington Street, London W1X 1LB.

## Financial Analysis at the frontiers of technology

Uxbridge, Middx.

c£26,000+Car

Our client is the European Division of one of the world's largest computer companies. This \$multi million turnover Division covers the marketing and service activities across 15 countries in a highly competitive and rapidly changing international market place. The Company's ambitious plans for future development have created two outstanding opportunities for 'fast track' commercial accountants or MBA's aged up to 30.

Forming part of a small, dynamic Financial Planning and Analysis team these high profile positions will contribute to all aspects of business planning and control and play a key role in the commercial decision making process. Responsibilities will include the review and analysis of asset management performance, profitability and key ratios as well as long and short term forecasting, business planning and risk analysis.

The successful candidates will be graduates with sound planning and forecasting experience in the operating subsidiary of an international company. This will ideally be

complemented by some exposure to the Head Office problems of data collection, organisation and subsequent analysis. Whilst knowledge of finance is necessary it is essential not to be limited by this and to use commercial skills and analytical ability to develop innovative, creative solutions to business problems. Clearly well developed interpersonal skills and a mature, positive approach will be necessary to deal with senior management at both Group and operational level.

Prospects for these fast track individuals are excellent within a company that actively develops its staff both in the UK and internationally, if appropriate. Progress will only be limited by personal performance and commitment.

To find out more please apply in strictest confidence, enclosing a comprehensive curriculum vitae, quoting Ref SV 1070 to Keith Evans, Regional Manager, Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW or telephone him on Windsor 0753 856151.

**Michael Page Finance**

International Recruitment Consultants  
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham  
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

## Head of Group Taxation

London

c£60,000 + bonus + excellent benefits

Our client, one of the UK's top 100 plc's, is a major and successful international group with a leading position in the diversified sectors in which it operates. Worldwide sales are in excess of £2 billion and it is committed to further growth, both organically and by acquisition, and mainly in Europe and in North America.

Working closely with the Group Finance Director and other main board directors, you will head a highly professional team responsible for all aspects of taxation. The work will include UK and international tax planning, compliance and reporting, and providing advice to senior operational management on tax issues.

Probably in your late 30's or early 40's, you will already be operating at a senior level within an international group or as a partner within a professional firm. You must be capable of innovative and original thinking and be able to make a significant contribution from a tax point of view to the strategic direction of the group. Equally important will be the ability to lead and motivate people and sound commercial sense.

Please write in confidence to John Cameron, quoting reference C946, at S4/86 Grays Inn Road, London WC1X 8AE (Telephone: 01-404 5971).

**CAMERON · SIMPSON**

Consultancy · Search · Selection

## SENIOR INTERNAL AUDITOR (CITY) INTERNAL AUDITOR (CITY)



£23 - 30,000 plus excellent banking benefits

EftPos UK Limited, a company set up by the major financial institutions in the U.K. to develop and install a national EFT-POS network, require additional resources for its newly formed Internal Audit Team.

The roles will involve audits of computer systems and financial systems, covering audit standards, accounting and banking principles, computer security (systems and software), networks and communications.

Both positions report directly to the Internal Audit Manager and require strong interpersonal, planning and communication skills.

Successful candidates should have a sound education coupled with a professional qualification and two to five years relevant experience, preferably in a banking environment.

Please forward your C.V. to:

Graham Askew,  
Personnel Manager,  
EftPos UK Limited,  
12 Finsbury Square,  
London, EC2A 1AS.

No Recruitment Agencies please.

## Chief Accountant

c£33,000 + Car + Substantial Benefits  
West of London

Our client is the major division of a £ multibillion turnover UK pharmaceutical plc. Operating in a highly competitive and complex international market place, it contributes 60% of Group profits and its activities embrace 3 major process manufacturing sites as well as large UK Sales and Marketing operations.

Reporting to the Head of Divisional Finance, the role of Chief Accountant is regarded as pivotal to the success of the division by providing an effective commercial framework for the planning, monitoring, and control of the development and growth of the business. It will make wide-ranging demands on the expertise of the successful candidate. A high level of commercial skills and awareness will be necessary to make an effective input to Sales and Marketing plans and initiatives, whilst understanding the manufacturing processes of a number of complex, technical products will provide a different set of intellectual challenges. Well-developed man-management skills will be required

to motivate a team of 30 people on site, and a further 65 at the 3 plants, in order to create a cohesive, proactive finance team. The successful candidate is likely to be a qualified accountant aged 33-38, preferably a science graduate, and ideally with experience in a large, complex manufacturing environment. You will need a good intellect and strong analytical skills. Your personal qualities will include well-developed interpersonal skills and a mature, positive approach in order to make an effective contribution at Board level and also to manage growth and change with a firm but open participative style.

The position has arisen through internal promotion, and development within this progressive organisation will be limited only by personal performance and commitment.

Can you rise to the challenges and opportunities presented by our client? If so, please submit your CV in application to: Wayne Thomas, Executive Division, Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW.



**Michael Page Finance**

International Recruitment Consultants  
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham  
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

L.T. WIGGINS  
TEAPE

## CHIEF ACCOUNTANT

FORT WILLIAM c£23,000+Car+Relocation

Fort William paper Mill is a key producer of idem base and coated papers within the multi-million pound international business of Wiggins Teape Carbonless Papers Limited.

A versatile accountant is now sought to manage the department responsible for all aspects of financial accounting, budgeting and control of the site. As well as product costing, production performance, responsibilities will also include control of raw material purchasing and usage, finished stocks, fixed assets and capital expenditure.

A rewarding opportunity exists for an individual able to demonstrate a record of success in managing the control of complex manufacturing processes in a highly competitive business.

CITY OPPORTUNITIES—WITHOUT THE TRAVEL  
REDHILL

## CAREER OPEN DAY

Saturday December 10th  
10.00am to 2.00pm  
The Woolsack Room, The Harlequin,  
Warwick Quadrant, Redhill.

An opportunity to discuss your career and local vacancies in an informal atmosphere. Light refreshments provided.

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ext 3694

Candida Raymond  
ext 3351

RILEY

## FINANCIAL CONTROLLER

Electronics/Manufacturing Industry  
c.£27,000 + car  
South Coast

We are able to offer an ambitious Chartered Accountant a key appointment with a prestigious and highly progressive organisation. Our Client is a world leader within the electronics industry and its innovative work has been rewarded by no less than three Queen's Awards for Achievement. Annual sales are presently in the region of \$80 million.

You will be joining a dynamic Company during a particularly demanding phase, and this will offer a high calibre professional Accountant excellent scope for development.

Your specific area of responsibility will be to control the Management and Cost Accounting functions. This involves preparation of budgets, forecasts, management information, inventory and project cost control. Supported by a Budgeting and a Cost Accountant, you will control the activities of a team of 20 staff.

Ideally, you will be in the age range 30-40, with several years' post qualification experience in a manufacturing environment. A background with a US corporation and/or in government accounting would be an advantage.

Along with excellent career prospects and a competitive salary, you will receive a first-class benefits package which includes a quality car, relocation expenses and an attractive pension scheme.

Please write in the first instance, quoting ref: FT/381, to: Liz Elard, Account Director, Riley Advertising (London) Limited, Confidential Reply Service, Rex Stewart House, 159 Hammersmith Road, London W6 8BS.

Please list separately any companies to whom your application should not be forwarded.

London Birmingham Bristol Edinburgh Glasgow Manchester Newcastle Nottingham



## Financial Controller Consumer Products

West London

c.£30,000 + car  
and share options

For a young and progressive sales-led organisation which has grown rapidly since its formation and is one of the market leaders in its specialist field. There are ambitious plans for expansion and a stock exchange listing is envisaged in due course.

Reporting to the Finance Director you will be responsible for all aspects of planning and control. Early priorities will be to improve budgeting procedures, to upgrade the quality of management information and to tighten controls over cash management. You will be assisted by a small team and can expect to be involved on a variety of "ad hoc" projects.

Probably in your late 20's or early 30's, you will be a qualified accountant with a strong track record either in the profession or in commerce. Well developed communication and organisational skills are essential and you must be capable of managing change. As the business grows the potential rewards, including a profit related bonus and share options, are high.

Please write in confidence to John Cameron, quoting reference C101, at 84/86 Grays Inn Road, London WC1X 8AE (Telephone: 01-404 5971).

**CAMERON · SIMPSON**  
Consultancy · Search · Selection



## Divisional Finance Manager

West Midlands

£27,500 plus car and  
comprehensive benefits package

Targeted to reach £100M turnover within two years this rapidly expanding Division of a multi-national Engineering Group has created the position of Finance Manager in order that the Group acquisition strategy can be pursued with vigour.

In addition to the acquisition activity, the role of Finance Manager will involve the provision of a professional financial service to all General Managers within the Division in relation to any aspect of finance, data collection and reporting. There is an immediate need to upgrade the present standards of accounting and management information systems.

You will probably be between 30 and 40 years of age and likely to be a Graduate Chartered Accountant. An M.B.A. would be an added advantage. You will have excellent analytical and communication skills and will be commercial in outlook. A previous knowledge of acquisitions would be an advantage but not essential. More important is the ability to assimilate knowledge quickly and to have the courage of your convictions. Only your own personal limitations will prevent you from progressing rapidly within this exciting international environment.

Please send a comprehensive CV together with details of salary progression to John Elliott, Managing Consultant, Executive Search and Selection - Midlands, Bernard Hodges Overton Ltd., Monaco House, Bristol Street, Birmingham B5 7AS, quoting reference 12/10626.

**OVERTON MANAGEMENT SELECTION**

## Financial Director

Wimbledon  
c.£30,000 + Car + Benefits

We have been retained by a small rapidly growing marketing driven company, who are committed to an impressive expansion plan through organic growth and acquisition.

In order to successfully manage the business, our client is seeking a financial director to restructure and build a strong finance function. Specific responsibilities will embrace:

- \* development of finance systems and control
- \* successful management of a small finance team
- \* commercial involvement in the future business plans of the company.

You will be a qualified accountant, aged 30-45, with a sound accounting background in a manufacturing or distribution environment. Essential personal attributes are: a positive confident attitude, a self-starter and good communication skills.

If you are interested in this position and are prepared to commit yourself to the continued success of the company, then send your curriculum vitae and daytime telephone number to Jon Anderson ACMA, Executive Division, 39-41 Parkers Street, London WC2B 5LH, quoting ref. M109.



**Michael Page Finance**

International Recruitment Consultants  
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham  
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

### TROUBLE SHOOTER

**£25,000 + Car**  
An excellent opportunity exists for a qualified accountant (24-38) to join a major high tech organisation. Reporting to the Financial Director, the role will be one of group trouble shooting, attending sales contract negotiations and producing management accounts. Prospects are outstanding in this high profile role.

### COMMERCIAL MANAGER

**£38,000 + Car**  
This service sector multi-national requires a qualified accountant (under 42). Reporting to the Area Director and controlling 12 staff, you will undertake a broad role involving strategic planning, implementing systems and heading the management accounting department.

### COMPANY ACCOUNTANT

**£26,000 + Car**  
A major manufacturing/retail company has a new position available for a qualified accountant (under 45), preferably with manufacturing experience. With a staff of ten, you will be responsible for management accounts, preparing forecasts and ad hoc investigations. Benefits include discretionary bonus.

### DIVISIONAL ACCOUNTANT

**£27,000 + Car, F.E.**  
This international manufacturing company has an exciting opportunity for a qualified accountant. Reporting to the Financial Director your role will involve all aspects of management and financial accounting, including systems reviews and planning co-ordination. Very good prospects plus full relocation.

### GROUP SYSTEMS ACCOUNTANT

**£30,000 + Car**  
An exceptional opportunity exists with a large manufacturing company. Our client is looking for a person with good knowledge of computer systems and staff supervision experience. If you have these qualities, and an enthusiastic approach to work, then you are assured of a rewarding role.

### DIVISIONAL CONTROLLERS

**£28,000 + Car**  
Our Client is looking for qualified accountants well versed in the needs of a large Insurance Company. Ideally (under 40) you will be controlling some staff and reporting to the Divisional Director. If you have the qualities necessary to succeed in this fast-moving environment, then this could be for you. Benefits include a mortgage subsidy and company profit share.



**Deboo Executive**

102 OLD STREET LONDON EC1V 9AY  
TEL: 01-253 1210 (24 hrs)

## FINANCIAL CONTROLLER at STANSTED AIRPORT

Air UK (Leisure) is a new and successful charter airline based at Stansted Airport operating an intensive programme of flights from departure points throughout the UK to holiday destinations. We have taken delivery recently of new 737/400 series aircraft as part of our commitment to develop and expand our fleet.

Reporting to the Group FD, the Controller will manage all aspects of our financial resources - from day to day activities which will include the supervision, training and motivation of a small staff through to forecasting and forward planning for the 1990's.

In return we offer a salary of **£27,000 pa plus car** and other benefits, together with the usual travel concessions associated with working for an airline.

If you are a qualified accountant with relevant experience (aviation related will be a distinct advantage), ready to offer commitment to the Company and its future at Stansted, ambitious with a will to succeed in a growing environment the please write, enclosing full personal details and career history to:

Geoff Collins, Personnel Officer,  
Air UK (Leisure) Ltd, Stansted House,  
STANSTED AIRPORT, Essex CM24 5QT.



# £100,000

EXECUTIVE DIRECTOR—HUNTING GATE GROUP BOARD  
CORPORATE DEVELOPMENT—PROPERTY INVESTMENT

We are a rapidly expanding group engaged in property development, large-scale construction and housebuilding with a turnover exceeding £100m.

We require a Chartered Accountant (or similar status) having a proven success record with a leading position in property-related companies who can demonstrate that business sense, imagination and drive have been successfully applied.

The successful applicant will work closely with the Chief Executive and in addition will be expected to become Chairman of a substantial group of investment companies.

As Hunting Gate is a long-established, conservatively run, independent private company, it is able to negotiate a high, tailor-made compensation package, circa £100,000 and offers the opportunity for accumulation of capital.



Write in the strictest confidence to:

The Chief Executive, John Redgrave,  
Hunting Gate Group Ltd., Box 4444,  
Hunting Gate, Hitchin, Herts SG4 0TB.

## Finance Director

West of London

Circa £35,000 + Car and  
substantial benefits

This dynamic, computer services-PfC operates very profitably through branches in the United Kingdom and on the Continent. Realistic plans are for the ten million pound turnover company to continue its dramatic yet soundly based growth, and the current requirement for appropriate financial management skills embraces the ability to manage change. Suitable applicants will be mature and committed, qualified accounts over 30 not only with previous experience of financial management but with the commercial flair and acumen to make a positive contribution to management decisions. The Group's international and diversification ambitions will enable the person appointed to exercise the widest range of professional and entrepreneurial skills and career prospects are quite outstanding. Additional benefits including executive share option scheme and pension and life cover, enhance the attractive, negotiable salary.

Interested applicants should send full career and personal details to John Overton FCA, Managing Director, Bernard Hodges Overton Limited, 8 Dorset Square, London NW1 6PU or telephone 01-706 4911 for an application form quoting reference 12/1160.

**OVERTON MANAGEMENT SELECTION**

## FINANCIAL DIRECTOR DESIGNATE OIL INDUSTRY SERVICES

**East Angles C. £28,000 + car + benefits**  
A rapidly expanding company involved in the provision of services to the oil and gas industry is seeking a dynamic young Chartered Accountant to assume overall responsibility of financial systems and controls. The company has recently reorganised its management structure, and is seeking a self-motivated individual with the ability to guide it through the next stages of its development, which includes a controlled expansion and acquisition programme. Probably aged 28/35 the candidate will preferably have had least 3 years commercial experience, but this is not important as enthusiasm and drive, an ability to communicate, and the willingness to form part an entrepreneurial management team committed to growth. A familiarity with micro-computers, and the ability to use computers as an aid to planning and management control, is essential.

The remuneration package is negotiable and will include generous benefits. Interested candidates should write, enclosing a comprehensive C.V. to:

Peter Roston & Co  
Davey House, Castle Meadow,  
Norwich, NR1 3DE.

Henderson Administration Group plc is one of the market leaders in the financial services sector, with £8 billion of funds under management. The Group has grown dramatically over the last five years and our continued success in attracting new and substantial business means we must continue to provide enhanced corporate services.

## COMPANY SECRETARY

CITY UP TO £24,000 CAR + BENEFITS  
Reporting to the Director—Legal Services, the appointee will be responsible for a wide variety of legal and financial functions which will make an immediate and significant contribution to the Group services as a whole. The vacancy has arisen out of the retirement of the present incumbent. The successful applicant will be a qualified Chartered Secretary preferably with 2-3 years' post-qualification experience. Age indicator is between 27 and 35. A motivated and task orientated individual is sought whose enthusiastic, straightforward personality will ensure successful achievement of objectives in a hard working and good humoured team environment. Ref no. CS1.

## ASSISTANT MANAGER COMPLIANCE

NEW APPOINTMENT UP TO £24,000 CAR + BENEFITS  
Reporting to the Group Compliance Manager, the successful applicant will assist with the implementation of new procedures made necessary by the provisions of the Financial Services Act. In addition, the individual will be involved with the preparation of comprehensive internal audit programmes and reviews which include close liaison with the Computer Systems Management. Applicants should be newly or recently qualified Chartered Accountants, ideally with some experience in the Financial Services sector. A confident self-starter possessing a high degree of enthusiasm and maturity is required to ensure the successful achievement of all objectives. Excellent communicative and interpersonal skills are essential. Ref no. AMC2.

Written applications, stating for which post you are applying and quoting appropriate reference number, are invited by applying

**H**  
**HENDERSON**  
ADMINISTRATION GROUP PLC

in full and total confidence to Anne Day, Personnel Department, Henderson Administration Group plc, 3 Finsbury Avenue, London EC2M 2PA.

## Financial Accounting Manager

West London £25,000 + car

Currently experiencing 20% growth per annum, our client is already established as a major force in the expanding UK Car Leasing market. US parent support and an ambitious market plan will ensure continued growth.

Reporting at Controller level this position offers the opportunity to take full responsibility for a department of 11 and will be required to ensure that all relevant Financial Accounting reports, controls and systems are effectively managed both on a day-to-day basis and, importantly, as the company expands.

Suitable applicants aged 27-40 will be fully qualified with good technical knowledge and proven management skills. Systems experience is essential as the position will closely assist the MIS department with relevant development work.

For further information please telephone or write to Richard Warner.

**MANAGEMENT PERSONNEL**  
York House, Chertsey Street  
Guildford, Surrey GU1 4ET  
Telephone 0483 65566  
(Out of hours - 0252 724671)



## INTERNAL AUDITOR

Major European Investment Bank  
Salary c.£28-30,000 + benefits

Our client, a major European Investment Bank with offices in Europe, USA and the Far East, seeks a dynamic Internal Auditor to set up an Audit and Control function for its London based operation, with the possibility of audit assignments in the Company's overseas locations.

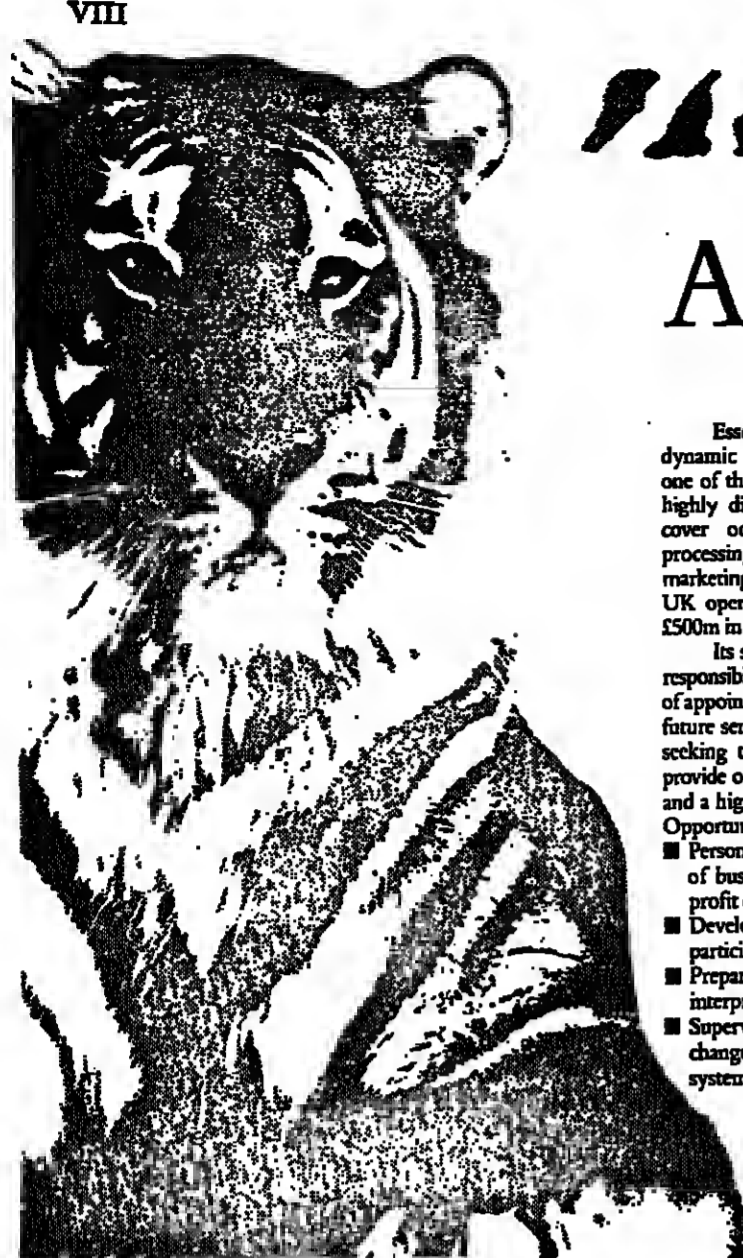
You will be a graduate ACA/ACCA, 'Big Eight' qualified, and have in-depth experience of the audit of Capital Markets products. You will be able to demonstrate flexibility and excellent communication skills. A knowledge of sophisticated computerised accounting systems is also desirable. This is a significant role which will allow the individual considerable scope and which will give both a challenge and a chance of progression within the Company.

Please write, in the first instance, with full career details to:

Laura McElwain (Ref: MCE/1),  
Bastable-Dalley Advertising & Marketing International Ltd.,  
18 Dering Street, London W1R 0AX. Tel: 01-408 1818.

Replies will be treated in strictest confidence. Companies to whom you do not wish your application to be forwarded should be stated in a covering letter.

**Bastable**



# NEWLY/RECENTLY QUALIFIED ACCOUNTANTS

A wide range of opportunities

Eso UK Plc is one of Britain's leading and most dynamic companies and an autonomous subsidiary of one of the world's largest companies, EXXON. It is a highly diverse organisation whose principle activities cover not only the exploration, production and processing of oil and gas products, but also distribution, marketing and retailing. Its strong commitment to its UK operations is backed by a massive investment of £500m in 1988.

Its success depends on giving individuals challenge, responsibility and variety as they develop through a series of appointments across the Company's activities into the future senior management of the company. We are now seeking to fill a number of financial positions which provide outstanding professional and company experience and a high level of exposure as a basis for such a career. Opportunities available are:-

- Personal responsibility for the analysis and evaluation of business performance of one of the companies 6 profit centres.
- Development and analysis of short term forecasts and participation in business planning.
- Preparation of financial statements and financial interpretation and advice to senior management.
- Supervision of the cost analysis group during major changes in business requirements and computer systems.

Audit of financial and operational controls across the whole range of business activities in the UK and abroad.

Candidates must be high calibre qualified accountants (ACA, ACMA, ACCA) aged up to 28 with a good academic background and the motivation, initiative and communicative ability to meet the challenge of the work. Salaries are extremely competitive and include a comprehensive benefits package together with relocation assistance where appropriate.

The appointment will be based initially in Central London with most, but not all, positions relocating to a new head office in Leatherhead, Surrey (on the M25) in 1990. Appropriate relocation assistance for this move is available.

For further information please contact David Rush, Consultant to the Company on 01-387 5400 (out of hours 01-467 6822) or write to him at Financial Selection Services, Drayton House, Gordon Street, London WC1R 0AN.



Quality at work  
Esso is an equal opportunities employer

# Management Accountant

£22,500 + car  
Surrey/Sussex border

This £175m Division of a major UK consumer product group has established an enviable reputation as market leader by the determination of dedicated management to consistently enhance the strength of its brand portfolio.

The opportunity to join this dynamic and successful organisation will appeal to recently qualified ACMA/ACCAs seeking the variety and challenge of real participation in the further profitable development of its operation.

As a key member of a business sector team, the management accountant will play an important role in driving forward performance by the provision of quality management information and reports. The scope of the position will include evaluating and advising on promotional activities; advancing the development of business sector reporting; providing financial and commercial objectivity in supporting operational decision making and the financial focus to improve the efficiency of ongoing functions.

Applicants, preferably in the age range 24-29 should be commercially astute and able to demonstrate well developed technical skills, ideally gained in the consumer product industry. Initiative and enthusiasm are essential as are the interpersonal skills and ability to progress within this fast moving environment.

Please reply in confidence quoting reference E149 to:

Adrian B. Edgell  
Mason & Nurse Associates  
5a Station Road, Egham  
Surrey TW20 9LD, Tel: 0784 71255  
Offices in London, Birmingham and Egham.

**Mason & Nurse**  
Selection & Search

# Finance Director

CITY OF LONDON Circa £35,000 + Car + Full Benefits

Our client, a privately owned company, turnover £1M+ is involved in all aspects of high quality printing and marketing, servicing an impressive client list made up of international household names.

The company are now planning to expand their operation significantly over the next few years.

In accordance with the plans for expansion they now wish to appoint a Finance Director who will set up the finance and accounting function and also play a major role in the overall development and running of this already successful business.

Candidates will be qualified accountants aged 30 - 40 years who have already gained excellent commercial/industrial experience since qualification within smaller sized organisations.

Please send a hand-written covering letter and CV to Mr R N Collier quoting ref. no. BML

**MOORES & ROWLAND**

Clifford's Inn  
Fetter Lane, London EC4A 1AS

MOORES & ROWLAND MANAGEMENT ADVISORY SERVICES LIMITED  
A MEMBER OF MOORES ROWLAND INTERNATIONAL

# FINANCIAL ACCOUNTANT

To £20,000

This is an opportunity for a newly qualified ACA or equivalent to join the securities settlements operation of a leading investment bank.

You will use your audit experience gained while training to improve existing and develop new independent controls processes, and to assist the company's internal auditors.

You will take a key role in the implementation of a highly sophisticated mainframe settlements systems. This will involve liaison with technical support professionals and senior operations managers.

Additionally, you will be involved with developing the analysis of funding and stock borrowing requirements, profit and loss reporting and the provision of M.L.S.

Communications skills are of paramount importance as is experience with mainframe and pc driven systems. Familiarity with the securities industry will be an advantage, particularly if it includes the industry overseas.

In addition to salary we offer a comprehensive range of benefits including non-contributory pension and private health schemes and a free staff restaurant.

Please apply in the strictest confidence to T.L. Roberts, (Ref: 525), Associates in Advertising, Columbia House, 69 Aldwych, London WC2B 4DX. Please indicate on your application the names of any firms to which your application should not be sent.



# ADMINISTRATION MANAGER

LONDON SW1 £25,000 + CAR PLUS AIRLINE BENEFITS

EMIRATES is the international airline of the United Arab Emirates based in Dubai. We have a substantial and growing network to Europe, the Middle East and the Indian Subcontinent. As an organisation we are committed to providing customer service of the highest standards and our efforts to this end have already won for us the prestigious Middle East Airline of the Year Award from the "Executive Travel" magazine. This award comes after only 18 months on the Dubai/London route.

Following internal promotion, the above vacancy has now arisen to head up the airline's finance/administration function in the UK. The duties will include control of the airline's revenue and expenditure together with liaising with BSP, banks and local authorities. In addition, the duties will include control of the UK personnel function.

Candidates should have the necessary personal attributes to work on their own initiative, supervise staff and contribute to the airline's overall development. Ideally, the selected candidate will be a member of one of the recognised accounting bodies and have a number of years relevant experience in the travel/airline industry.

Please reply with c.v. to: Manager UK, Emirates, 125 Pall Mall, London, SW1Y 5EA. Closing date for applications: December 18, 1988.



Emirates

# FINANCE MANAGER

London £30,000 + Normal Banking Benefits

OUR CLIENT is a leading UK Merchant Bank. It has an excellent reputation and an outstanding growth record with an extensive and growing international presence in investment management, corporate finance, securities broking and trading and investment banking.

THE ROLE is to develop and manage the format and content of new accounting systems and procedures within the Asset Management business. The rapidly developing importance of Investment Management and its need for Management Information has created this new position, reporting directly to the Divisional Finance Director.

THE REQUIREMENT is for an outstanding young accountant who may also be a graduate. With knowledge of the securities industry, the role requires a quick understanding of complex issues and the conceptual ability to develop solutions to information needs. Mainframe experience and hands-on skills with spreadsheet packages are important.

THE REMUNERATION PACKAGE for this career opportunity is flexible and will reflect best Merchant Banking practice. This appointment is seen as a very attractive base for future progression within the Group.

Please reply in complete confidence enclosing a CV and quoting reference 299A to the Managing Director

**Tanstead Associates Ltd**  
Executive Search & Selection  
West End House, 11 Hills Place, London W1R 1AG  
A member of the Tanstead Professional Group

# MANAGEMENT CONSULTANCY FINANCIAL CONSULTANTS

We are the leading international management consultancy specialised in quality and productivity improvement. New assignments mean that we need financial professionals to form part of our consulting teams and deal directly with clients.

Ideal candidates will be chartered accountants with a minimum of 3-5 years' experience in accountancy or related business. A knowledge of sophisticated management reporting systems is a must, with good presence and reporting skills.

The position involves extensive travel but will not require relocation, and a knowledge of European languages in addition to English would be an asset.

Very attractive compensation packages are available for the right people, who will have ample opportunity for advancement in responsibility and satisfaction. Send your application and curriculum vitae with salary history to our representatives, marking the envelope Ref: FU1

**ARROW COMMUNICATIONS S.A.**  
447 Avenue de Tervuren,  
B-1150 Brussels,  
Belgium.



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Elizabeth Rowan  
Ext 3456  
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Ext 3526

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### COMPANY NOTICES

**TSURUMI MANUFACTURING CO., LTD.**  
U.S.\$20,000,000  
2 1/2 per cent. Bonds due 1991  
with Warrants to subscribe for shares of common stock of Tsurumi Manufacturing Co., Ltd.

#### NOTICE TO WARRANTHOLDERS

NOTICE IS HEREBY GIVEN, pursuant to Clause 4(F) (iii) of the instrument (the "Instrument") by way of deed poll, dated 25th September, 1988, made by Tsurumi Manufacturing Co., Ltd. (the "Company") in connection with the warrants (the "Warrants") to subscribe up to Yen 3,128,000,000 for shares of common stock of the Company, that, subject to the appropriate resolution being passed at the Ordinary General Meeting of Shareholders of the Company to be held on 16th December, 1988, the record date for determining the shareholders entitled to receive an interim dividend (being a cash distribution pursuant to Article 283-5 of the Commercial Code of Japan) will be set at 31st March in each year. This resolution, if adopted, will take effect on 16th December, 1988. The "Dividend Accrual Period" (as defined in Condition 4 of the Warrants) is currently the one year period ending on 30th September in each year. However, as a result of the establishment of the record date for interim dividends mentioned above, the "Dividend Accrual Period" will be deemed to have been amended to mean the six-month period ending on 31st March or 30th September in each year. Thereafter the holder of shares issued upon exercise of any Warrants will be entitled to the dividend in respect of the full six-month period ending on 31st March or 30th September during which such Warrants have been exercised. Except as mentioned above, the terms and conditions of the Warrants remain unmodified.

1st December, 1988  
TSURUMI MANUFACTURING CO., LTD.  
By The Tokai Bank, Limited  
as Principal Paying Agent

**BERGEN BANK INTERNATIONAL S.A.**  
US\$15,000,000 FLOATING RATE SUBORDINATED LOAN NOTES 1988  
In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the six month interest period from 21/11/88 to 22/5/89, the Notes will carry an interest rate of 9.4375% per annum, and the Coupon amount per US\$500,000 will be US\$23,855.90, the date being 182 days.

**ART GALLERIES**  
LONDON ORIGINAL PRINT FAIR, Royal Academy, Piccadilly, W1, 2-5 Dec. Daily 11-5pm. (Mon 8pm) Adm. £4 incl. cat. 01-55 1251  
**CLUBS**  
We have outbid the others because of a policy on fair play and value for money. Snapper from 10.30 am. Disco and top musicians, glamorous hostesses, exciting surroundings. 150, Regent St., W1. 01-734 0507.

### PUBLIC NOTICES

**MONOPOLIES AND MERGERS COMMISSION**  
MMC INVITES EVIDENCE ON PROPOSED ACQUISITION BY STRONG & FISHER OF PITTARD GARNAR  
The Monopolies and Mergers Commission is investigating the proposed acquisition of Pittard Garnar by Strong and Fisher, the companies are involved in the preparation and manufacture of clothing leather from sheepskins.  
Any person or organisation wishing to give information or views on the proposed acquisition should write as soon as possible but no later than 12 December to:  
The Reference Secretary (Strong & Fisher/Pittard Garnar)  
Monopolies and Mergers Commission  
New Court  
43 Carey Street  
London WC2A 3JT

**KAMIGUNI CO., LTD.**  
U.S.\$100,000,000  
3 1/2 per cent. Bonds due 1992  
with Warrants to subscribe for shares of common stock of Kamiguni Co., Ltd.

#### NOTICE TO WARRANTHOLDERS

NOTICE IS HEREBY GIVEN, pursuant to Clause 4(F) (iii) of the instrument (the "Instrument") by way of deed poll, dated 11th August, 1988, made by Kamiguni Co., Ltd. (the "Company") in connection with the warrants (the "Warrants") to subscribe up to Yen 3,250,000,000 for shares of common stock of the Company, that, subject to the appropriate resolution being passed at the Ordinary General Meeting of Shareholders of the Company to be held on 18th December, 1988:

- The financial year of the Company will be changed from a year ending 31st March to a year ending 31st March in each year.
- The record date for the payment of annual cash dividends will be changed from 30th September to 31st March in each year.

As a result of the changes in the financial year and record date mentioned above:-  
(A) the "Dividend Accrual Period" (as defined in Condition 4 of the Warrants) will be deemed to have been amended to mean, except as mentioned below, a period (i) commencing on 1st April and ending on the succeeding 31st March (ii) commencing on 1st April and ending on the succeeding 30th September or (iii) commencing on 1st October and ending on the succeeding 31st March.

The aforesaid changes will take effect on 16th December, 1988. As a transitional measure, the first Dividend Accrual Period, as well as the first Dividend Accrual Period, ending after the effective date of these changes, will be the six-month period from 1st October, 1988 to 31st March, 1989.

Except as mentioned above, the terms and conditions of the Warrants remain unmodified and any sums of cash dividend on the shares issued upon exercise of Warrants with respect to the Dividend Accrual Period during or at the end of which such exercise takes effect will be paid for the full Dividend Accrual Period as if the shares had been issued at the beginning of such Dividend Accrual Period.

**KAMIGUNI CO., LTD.**  
By The Sumitomo Bank, Limited  
as Principal Paying Agent

**LEGAL NOTICES**  
IN THE HIGH COURT OF JUSTICE  
No. 00228 of 1988  
CHANCERY DIVISION  
IN THE MATTER OF BRITISH UNDERWATER ENGINEERING LIMITED AND  
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 27th May 1988 presented to Her Majesty's High Court of Justice for the administration of the estate of the above-named Company from £12,258,258.25 to £70,822.  
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Hon. Mr. Justice Holman at the Royal Courts of Justice, Strand, London WC2A 2LL, on Monday the 12th day of December, 1988.  
Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said Petition should appear at the hearing in person or by Counsel for that purpose.  
A copy of the said Petition will be furnished to any person requiring the same by the undersigned Solicitors on payment of the regulated charge for the same.  
Dated this 28th day of November 1988  
Watson Farley & Williams,  
Minorities House, 3-4 Minorities,  
London EC2M 1JL  
Ref. 3285

FINANCIAL TIMES COMPANIES & MARKETS

Thursday December 1 1988

IMI for building products, drive engines, fluid control, special engineering, refined and wrought metals.

INSIDE South Korea makes a post-Olympic run

The South Korean stock market is enjoying a post-Olympic marathon, jumping by 26 per cent over the past four weeks to reach an all-time high yesterday.

Treading heavy in the tyre industry

Two major changes were unveiled yesterday in the world tyre industry. Bridgestone of Japan announced a large expansion plan for Firestone Tyre & Rubber.

Profits jump sharply at Siebe

Siebe, the British engineering group, yesterday unveiled a 35 per cent increase in interim pre-tax profits, helped by a contribution from Barber-Colman.

Sweet and sour sugar regime

Officials in Brussels are quite sweet on the EC sugar regime, which is self-financing and effectively limits production.

Algeria campaigns to boost gas sales

Sonatrach, Algeria's gas monopoly which has often been accused of selling gas market ideology more than gas, has lowered its sights on export prices and started a worldwide campaign to boost sales.

Meyer acquires UBM in exchange with Norcros

MEYER International yesterday consolidated its position as the UK's largest builders' merchant by swapping its Crosby manufacturing interests for the UBM chain owned by Norcros, the UK conglomerate.

Siemens seeks extensive collaboration with GEC

SIEMENS, the West German electronics group, is interested in extensive collaboration with the General Electric Company of the UK even if the companies' joint bid for Plessey, the British telecommunications and defence group, fails.

Telephone Rentals raided by C and W

CABLE AND WIRELESS, the international telecommunications group, yesterday launched a raid on the London Stock Exchange on the shares of Telephone Rentals the telephone equipment supplier for which C and W is making a £320m takeover bid.

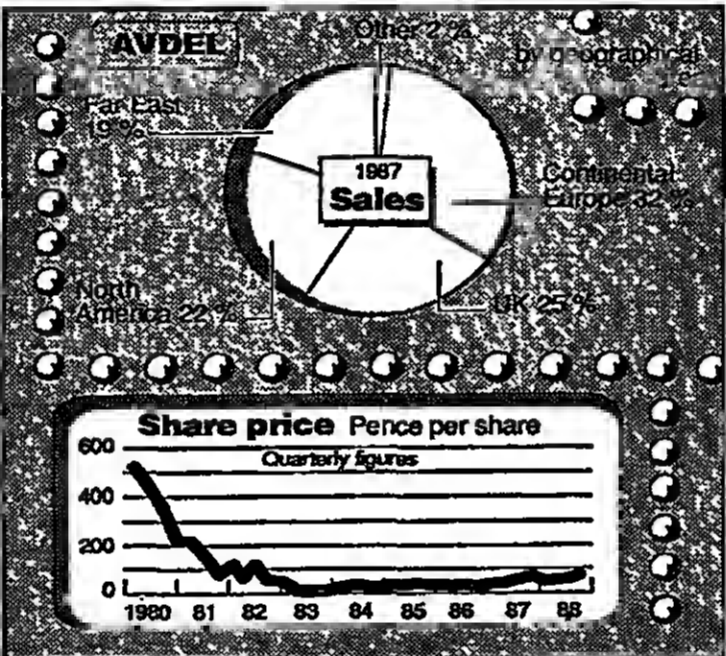
Morgan Grenfell trims Australian operation

MORGAN Grenfell Australia, the Australian arm of the London merchant bank, is slashing its operations Down Under still further by unexpectedly withdrawing altogether from stockbroking.

Riveting tale of a bitter transatlantic takeover fight

Nikki Tait on Avdel's battle to keep its independence

Sixty years ago, an Englishman, Stanley Johnson, sat down with a French engineer on a Normandy beach, sharing lunch and wine.



Avdel itself only came into the group in 1978 - by which stage both Mr Johnson and his wife were dead, and in the absence of any children, control had passed to a Swiss foundation.

But its new parent was in for a rough ride. Still in the news because of legal action arising from the ITC debacle, Newman - whose interests ranged from ceramics to casting and electric motors - saw mounting debts and losses in the early-eighties.

Matters improved and, very broadly, Newman's subsequent history became one of disposals coupled - in spite of some hiccups - with improving profits.

Today, the likes of ceramics and electric motors have gone and the company has been slimmed back to its Avdel subsidiary. The name changed this year.

under 15 per cent for the past three years. Whatever the merits of corporate muscle, the UK company remains deeply opposed to moving under the specific purview of Banner.

In its offer document, Banner argues that its own fast-track business, with sales of £122m in the year to end-June, is complementary to Avdel's; that it could help Avdel push in the US market; and that combined marketing opportunities would result from the deal.

London analysts are not unsympathetic. 'Avdel is the quality end of the fastener market,' comments Hoare Govett.

The market, pricing Avdel at just over 80p, probably suspects that something more may be forthcoming. The share register also makes interesting reading: while Banner has an option over a 27.5 per cent holding (acquired from Suter), about 40 per cent of the shares are in the hands of 15 institutions, M&G with about 10 per cent, is the largest. The fight, it seems, can only get fiercer.

Market Statistics table with columns for various indices and their values.

Companies in this section table listing various companies and their page numbers.

Chief price changes yesterday table showing price movements for various commodities.

LONDON (Pence) table showing price changes for various stocks.

Advertisement for City Merchants Investment Management Limited, featuring the text 'INVESTMENT LEADERSHIP' and 'FOR THE PRIVATE CLIENT'.

## INTERNATIONAL COMPANIES AND FINANCE

## Managers lift RJR Nabisco bid

By Anatole Kaletsky in New York

THE RECORD-BREAKING takeover auction for RJR Nabisco remained undecided yesterday morning, as the company's management unexpectedly raised to \$108 a share the supposedly final bid they had submitted to the company on Tuesday night.

Prior to the management's announcement rumours swirling round Wall Street appeared to favour a \$230m-plus offer presented by Ko-Heery Kravis Roberts, the biggest US leveraged buy-out group.

KKR's offer, said by executives to be worth \$102 or \$103 a share in a mixture of cash and securities, seemed to edge out the \$101 a share offer first made by RJR's own management, backed by Shearson Lehman Hutton and Salomon Brothers.

The third bid, submitted by an investor group led by First

Boston and nominally worth over \$104 a share, was said by officials involved in the auction to have been virtually ruled out because of uncertainties about financing and taxation. These doubts made the First Boston proposal's true value almost impossible to gauge, they said.

However, officials noted that all three of the bids submitted to RJR contained large non-cash elements, making precise comparisons difficult and leaving open the possibility that the offer eventually selected would not be the one with the highest nominal price.

RJR's shares rose 1 1/2% to \$92 1/2 in yesterday as Wall Street awaited a formal statement from the company about the auction results.

Nevertheless, attention earlier focused on the KKR bid, in part because of pessimistic

comments made late on Tuesday night by members of the two rival groups. Spokesmen for the management-Shearson team at one point indicated that they were bowing out of the competition, but this statement was amended yesterday morning, when the group said closer study of its bid showed it to be "comparable in value to KKR's."

First Boston officials were also quoted by news agencies on Tuesday night as saying that they had dropped out of the bidding, but a spokesman for the investment bank denied this yesterday.

A bigger reason for scepticism about the First Boston offer emerged late on Tuesday, however, when Congressman Jack Brooks, chairman of the House Government Operations Committee, disclosed a letter he had sent to the Attorney

General, urging him not to expedite the routine anti-trust review of any of the RJR bids.

A crucial element in the First Boston proposal was to have been completion of the deal before the end of the tax year on December 31. Any delay would undermine the financial rationale of First Boston's approach.

ITT Corporation, which had already sued RJR and its management for the losses suffered by bondholders after the company's leveraged buy-out announcement, said it was filing a similar litigation against Campeau Corporation and Federated Department Stores. Federated, which was taken over by Campeau in a highly leveraged merger this spring, was said in the suit to have withheld material information from bondholders about the possibility of a takeover.

## GE/Union Carbide silicone plan fails

By James Buchan in New York

AN AMBITIOUS plan by General Electric and Union Carbide to merge their silicone-based chemicals operations into a \$750m worldwide business collapsed yesterday because of opposition from anti-trust authorities and management disagreements.

The deal, designed to create a stronger competitor to Dow Corning, the US and world market leader, is the second consolidation deal in the chemicals industry to run into trouble with the Federal Trade Commission. Last month, the commission said it would try to block the 1987 merger of Hoechst and Celanese because it would reduce competition in another specialty chemical, the plastic sector.

Both GE and Carbide said yesterday they were confident they could have come to an arrangement with the commission. Other companies have overcome commission opposition by disposing of business lines where competition would be reduced. Ms Janice Mansfield, of GE's plastics division, said that talks really broke down over sub-agreements in the merger, which would have given GE 70 per cent control of the new company.

Even so, the commission's threat on November 2 to seek an injunction against the merger appears to mark a new activism by Washington anti-trust authorities in the face of the consolidation in the world specialty chemicals industry.

Silicones are additives used in the rubber, construction, motor and personal care industries. GE, with about \$450m in sales, and Union Carbide, with around \$300m in sales, are second and third in the world market. The FTC was anxious that the disappearance of an independent producer would weaken rather than strengthen competition with Dow Corning, a joint venture of Dow Chemical and Corning Glass, with over \$1bn sales.

The only other significant supplier to the US market is Wacker of West Germany. The collapse of the merger leaves Connecticut-based Union Carbide in the weakest position.

## Thomson, Aerospatiale discuss avionics tie-up

By Paul Belts in Paris

THOMSON CSF, the French state-controlled defence and electronics company, and Aerospatiale, the French state aerospace concern, are negotiating a merger of their military and civil flight electronics businesses to form the largest European group in this sector with annual sales of FF3.6bn (\$510m).

The move reflects the current trend of regroupings in the world aerospace and defence industries with major companies seeking to build themselves up to compete internationally.

Thomson said yesterday that the talks with Aerospatiale, which have the strong support of the French Government, were expected to be completed within three months. Both Thomson and Aerospatiale would share ownership of the new combined flight electronics operation.

Thomson's avionics division has annual sales of FF1.57bn. Aerospatiale owns three subsidiaries in this sector, includ-

ing Snea with annual sales of FF1.34bn, Crouzet with sales of FF680m and EAS with sales of FF170m.

The merger would create a group with annual sales of about FF3.6bn, making it the fourth largest in the world behind Honeywell/Sperry, Litton and Allied of the US.

The two French companies indicated yesterday that competition in the flight electronics industry was intensifying following several mergers in this sector in the US and the UK.

Thomson said yesterday that the two companies had been considering a possible tie-up of their flight electronics operations for two years. The imminent agreement in this sector could now also open the way for other eventual strategic agreements between French groups in the defence, aerospace and professional electronics sectors.

The two French companies indicated yesterday that competition in the flight electronics industry was intensifying following a series of mergers in this sector in the US and the UK. Moreover, they said they would envisage possible links with other avionics companies if they both felt it was in the interest of both partners.

Thomson said yesterday that the two companies had been considering a possible tie-up of their flight electronics operations for the past two years.

The imminent agreement in this sector could now also open the way for other eventual strategic agreements between French groups in the defence, aerospace and professional electronics sectors.

The joint GEC-Siemens bid for Fiessey coupled with the recent regrouping of the West German aerospace industry around Daimler-Benz has caused much concern in France and could speed French efforts to encourage closer co-operation and mergers between French defence, aerospace and electronics groups.

## State Farm 'violating insurance law'

By Nick Bunker

ILLINOIS-based State Farm, the world's largest motor insurer, has been told by regulators in California that it is breaking the law with measures it says it took to protect its policyholders against damage from Proposition 103, the insurance price-cutting measure passed by voters in the state on November 3.

Ms Roxani Gillespie, California's insurance commissioner, has written to State Farm and another insurer, Safeco, saying they are violating local laws which forbid insurance companies to discriminate against new customers by charging them higher rates than apply to existing ones. Her letter, on Monday, said she would not tolerate "unethical business practices" while the state's Supreme Court was delaying implementation of 103.

State Farm has 17 per cent of the California motor insurance market. A week after the passage of 103, which provides for immediate cuts of up to 30 per cent in insurance premiums, State Farm stopped issuing new policies at the cheap rates.

State Farm's largest company stopped taking new motor business altogether.

## Chilean airline bidding stopped

By Barbara Durr in Santiago

BIDDING for a 32.7 per cent stake in Lan Chile, Chile's national airline, which was being offered to the private sector, has been stopped.

Six companies, including British Airways, qualified last month to bid, but eleventh-hour changes in the bidding rules sowed confusion and apparently led to the withdrawal of four of the bidders.

Corfo, the state holding company, received a single bid, a joint offer from two of the three qualified companies, Guinness Peat Aviation, with the Chilean forestry and agricultural company, Forestal Quintero. But the offer did not

meet Corfo specifications for financial guarantees and was not accepted.

Government authorities late last week announced that Ladeco, Chile's private airline and a pre-qualified bidder, was not suitable for acquiring Lan Chile's shares because competition in national air routes would be virtually eliminated.

For the same reason, authorities said that another bidder, the European Bank for Latin America, would have to sell its 12.5 per cent stake in Ladeco, should it win the bidding for Lan Chile.

Adding to the last-minute confusion, authorities said that

Corfo would no longer be required to keep 40 per cent of Lan Chile's shares, one of the original conditions of the privatisation. Now, apparently, the Government intends to privatise completely the airline. Currently, employees own 15 per cent of the company and Compania de Acero Pacifico (Cap), another of the six bidders, owns 1.3 per cent.

Cap and British Airways withdrew from the bidding and Corfo said it was conducting an inquiry as to why the companies declined to participate. No new date has yet been set for reopening the bidding.

## Campeau to sell Ann Taylor chain

By David Owen in Toronto

CAMPEAU Corporation, the Toronto-based property and retailing group which has run into problems since buying two US department store chains in quick succession for over US\$10bn, has agreed to sell for \$430m its Ann Taylor division to a corporation formed by Merrill Lynch Capital Partners, Mr Joseph Brooks and Ann Taylor management.

The move is the latest in a


string of divestments designed to help Campeau finance its burdensome debt. In October, investors shunned a proposed \$1.15bn offering of junk bonds by Federated Department Stores, the Campeau unit, due to concern over its ability to pay the required yield.

The price, \$430m of which will be paid in cash, is considerably below the \$600m that Campeau was originally

reported to have been asking. Campeau acquired the upmarket women's apparel chain in December 1986 when it bought Allied Stores for \$3.4bn.

The 110-store chain had sales in fiscal 1987-88 of \$260m - up sharply from \$198m a year earlier. Profit, however, was ahead only marginally at \$35m, compared with \$33m in 1986-87. Sales per sq ft totalled \$760, one of the highest rates.

This announcement appears as a matter of record only. November 1988



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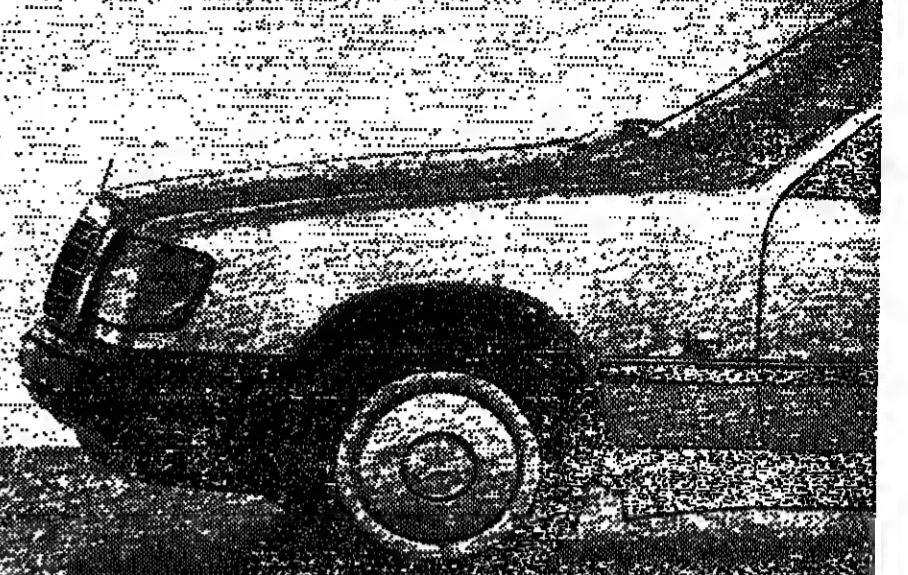
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REFURBISHMENT  
The Financial Times proposes to publish a Survey on the above on  
10th January 1989

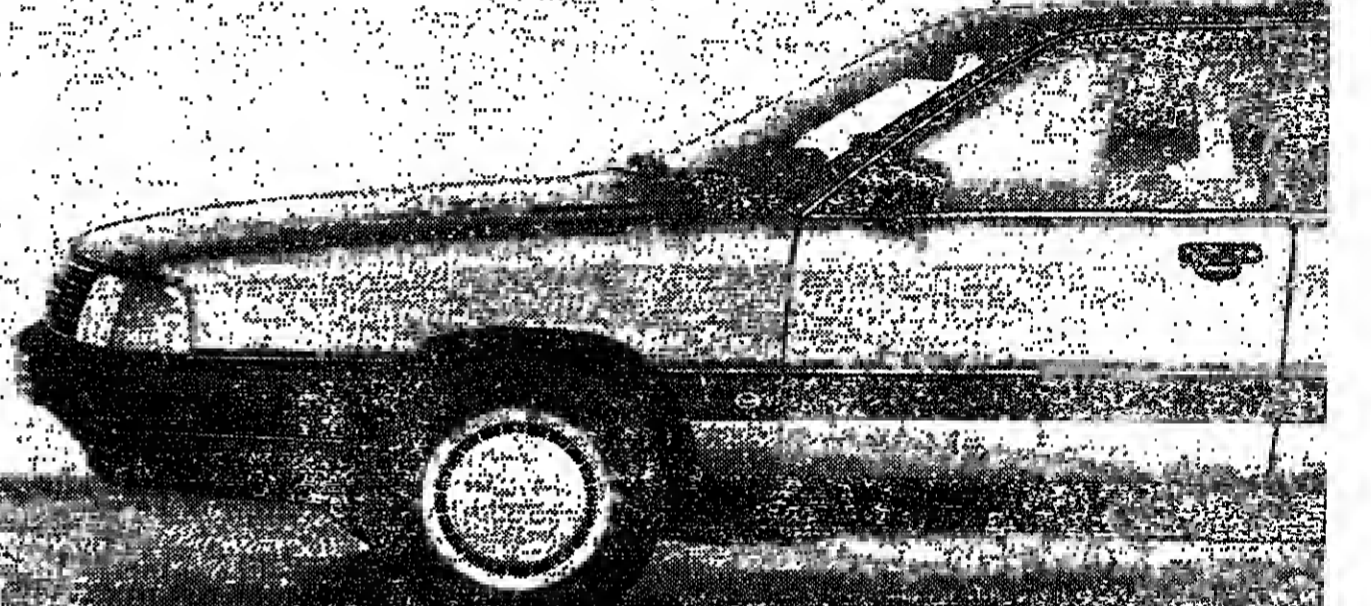
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PENNY SCOTT  
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or write to her at:  
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FINANCIAL TIMES  
LONDON & BUSINESS NEWS PAPER

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**INTL. APPOINTMENTS**

**Significant move at Lafarge Coppée**

LAFARGE Coppée, biggest cement producer in France and North America and third-largest in the industry world-wide, has appointed Mr Bertrand Collobi joint executive vice chairman of the group, effective January 1 next year.

The other executive vice chairman is Mr Jean Francois, who has already held the position for 14 years. Apart from the two vice chairmen, the executive board will then comprise Mr Olivier Lecarf (chairman), Mr Bernard Kasriel and Mr Jacques Lefevre.

The appointment of Mr Collobi, who is 45, is widely seen as marking him as heir-apparent to Mr Lecarf.

Mr Collobi joined Lafarge in 1975, before its 1980 merger with Coppée. He became general manager of the Ciments Lafarge France subsidiary.

He was made a member of the group's executive board last year, and since 1985 has headed Lafarge Corporation, a leading US building materials concern majority owned by Lafarge Coppée.

COMMERCIAL Union Assurance, one of the leading UK composite insurers, has appointed Mr Bernard Pottier chief executive of the company's operations in France.

Mr Pottier, 45, will be managing director of Commercial

Union France, holding company for the region, and Financière St Georges, and chairman of L'Epargne de France and Commercial Union IARD.

He has risen to prominence in the French insurance industry over the past 21 years, and is chairman of the French Life Assurance Association.

ON THE Spanish scene, the next chairman of the state-owned Banco Exterior de España is to be Mr Francisco Luzon, currently a senior executive at Banco Bilbao Vizcaya, Government officials stated.

He will succeed Mr Miguel Boyer, a former Socialist Finance Minister.

BBV, a Basque banking group, resulted from the recent merger of Banco de Bilbao and Banco de Vizcaya, two of the leading banks in Spain.

Mr Boyer recently agreed to become chairman of Cartera Central, a holding company jointly owned by a Spanish construction group and the Kuwait Investment Office. Cartera has holdings in Banco Central and Banco Español de Crédito (Banesto).

Central and Banesto plan to merge next year, forming Banco Español Central de Crédito, vying with BBV for top place among Spanish banks.

TWO SENIOR executive appointments have been announced by Republic New York, the US bank holding company founded by major shareholder Mr Edmund Safra, 56, the internationally famous banker of Lebanese descent who is honorary chairman.

Although classed as a medium-sized company on assets rating, its ranking has been very high in recent years judged by profitability, earnings growth and liquidity.

Mr Martin Clarke has been named executive vice president and managing director of Republic New York (UK), the eurobond trading subsidiary. He is rejoining Republic from County NatWest, of the UK, where he was international securities sales chief.

Mr Jean Pierre Diels has been promoted to executive vice president of Republic National Bank of New York, the holding company's principal subsidiary, and will continue to head the national banking division.

**Dresdner signals services move**

By Andrew Fisher in Frankfurt

DRESDNER BANK, the second largest commercial bank in West Germany, yesterday signalled its intention of moving deeper into the broad area of financial services by announcing a series of moves in corporate finance, business consultancy, real estate, and mortgage financing.

"The market for financial services will change considerably in coming years," said Mr Wolfgang Roeller, chairman. "Competition is already tough in this market and it will increase further." The actions include new divisions in the bank, acquisitions and partnerships.

At the same time, he announced a slight dip in earnings for the first 10 months, stating that the decline in the first half had been mostly made up in the buoyant third quarter.

Group partial operating profits for the period were 1 per cent lower at DM1.3bn (\$760m), the comparison being with 10 months of the full 1987 result.

The full operating result, including income on own account trading in foreign exchange and securities, was 4 per cent lower, said Mr Roeller. But he declined to give a figure, noting that German banks had very different ways of calculating this total, which they need not disclose by law.

However, if Dresdner worked out its total operating figure on the basis used by one of its rivals, he added, this would have been 20 or 30 per cent higher, one difference being the way securities earnings are treated.

Dresdner is the second of the big banks to report its results. Commerzbank having announced a near 3 per cent drop in partial group profits to DM846m and a 2 per cent rise in the full figure.

Elaborating on Dresdner's plans in financial services, Mr Roeller said a new corporate finance division had been set up, along with a subsidiary to provide equity to expanding companies.

Germany's small- and medium-sized companies (Mittelstand) had a fast growing need for outside advice, he said.

The bank will also set up its own management consultancy operation and co-operate with KPMG, the big international auditing and consultancy concern, in Germany.

In addition, it is buying a leading real estate agency and setting up its own mortgage finance company.

It will, therefore, sell its 25 per cent stake in Leoburger Bausparkasse, a regional mortgage bank in which Commerzbank is believed to be planning a stake.

**INTERNATIONAL COMPANIES AND FINANCE**

**Yves Saint Laurent plans FF1.5bn capital increase**

By Paul Beffs in Paris

YVES SAINT LAURENT is planning a FF1.5bn (\$263m) capital increase which will also see Cerus, the French holding company of Mr Carlo De Benedetti, reduce by about one third its stake in the famous French fashion and perfume group.

Mr Pierre Bergé, Yves Saint Laurent's chairman, also said yesterday that he envisaged floating the fashion and perfume house on the Paris bourse in early 1990. Yves Saint Laurent had originally hoped to be floated last year but abandoned the plan in the wake of the October 1987 stock market crash.

Mr Bergé said that the capital increase would enable Yves Saint Laurent to strengthen its balance sheet, provide funds for eventual diversifications and enable Cerus to make a capital gain on part of its stake in the company.

However, he emphasised that Cerus would remain a

privileged shareholder of the group controlled by Mr Bergé and Mr Yves Saint Laurent, the fashion designer. The capital increase would be reserved to a new group of institutional investors, he said.

Mr Alain Minc, the Cerus chief executive, said Mr De Benedetti's French holding company intended to shed 2m of the 7.5m shares it held in the fashion business. He said Cerus was expected to make a consolidated capital gain of about FF400m on its 1989 accounts from the operation.

Mr Minc confirmed that Cerus expected to report net profits of about FF400m this year compared with profits of FF300m in 1987. Next year, Mr De Benedetti's French holding company is expected to see profits rise to more than FF500m, including the capital gain on the Yves Saint Laurent transaction.

Cerus became a key partner of Yves Saint Laurent two

**Galadari agrees loan repayment terms**

By Robin Allen in Dubai

A.R.E. Galadari Brothers (AREG), the Dubai-based company which is one of the leading diversified groups in the United Arab Emirates, yesterday signed an agreement with Dubai Bank on terms to repay a Dh401m (\$109m) loan.

The loan had been the subject of litigation since AREG ran into liquidity problems in 1985. The settlement marks the final chapter in AREG's long battle to reschedule or settle debts of Dh1bn.

Terms have not been disclosed but it is understood that principal and interest are to be repaid over a "long-term" period - generally accepted to be more than seven years. Last month, when AREG lost its appeal in the Dubai court against repayment of Dh244m of the Dh401m, it was ordered to pay interest at 9 per cent. The appeal court also ordered the group to repay the full amount.

The principal constitutes loans made by Dubai Bank when it was controlled by AREG. The bank was taken over in 1986 by Union Bank of the Middle East, itself owned 80 per cent by the Dubai Government. UBME changed its name last May to Emirates Bank International.

Twelve domestic and international banks had earlier settled individually on unsecured loans totalling Dh334m - at discounts in some cases of more than 60 per cent. A secured loan for Dh266m from a nine-bank syndicate led by Citibank had also been settled earlier with the syndicate taking a mortgage on the Dubai Intercontinental Hotel and its adjoining Plaza apartment and office complex.

The group's five core divisions - motor agencies, engineering and heavy equipment, property, food processing and publishing are said to be generating a healthy cash flow. This has helped it in many cases to reach out-of-court settlements with many of its creditors.

AREG was awarded the Ford agency last year to add to its Maxia car agency. This was seen at the time as a strong vote of confidence in AREG's management.

**Creditanstalt in Dutch deal**

By Judy Dempsey in Vienna

CREDITANSTALT-Bankverein, Austria's largest bank, yesterday agreed to sell for an undisclosed sum a substantial part of its holding in Leykam-Mürztaler, the country's giant paper manufacturer to Koninklijke Nederlandse Papierfabriek (KNP), of the Netherlands.

KNP, one of the leading manufacturers in Europe of coated fine papers, will hold a minority share of just under 50 per cent in Leykam-Mürztaler.

The contract entails KNP setting up a holding company which will hold about 70 per cent of Leykam-Mürztaler's share capital.

At the same time, the contract will reduce Creditanstalt's holding in the group from 70 per cent to under 23 per cent, but it will still retain half the voting shares plus one.

Mr Guido Schmidt-Chiari, Creditanstalt's chairman, yesterday said KNP's equity inter-

est would increase Leykam-Mürztaler distribution and sales throughout Europe as well as confirming the bank's policy of selling off some of its subsidiaries.

The Austrian group, which last year had a consolidated turnover of Sch7bn (\$583m) and expected profits of Sch120m for this year, already exports 80 per cent of its total output.

KNP's consolidated turnover totals Sch15bn.

**HAL tourism deal worth \$400m**

By Our Financial Staff

HOLLAND AMERICA Line Trust (HAL), which late last week said it was selling its tourism activities to Carnival Cruise Lines of the US for \$625m, said yesterday it would make a \$400m book profit on the deal.

HAL said it would continue as an investment firm for the time being. It will have a fund of \$700m in cash after complet-

ing the sale, which will become effective on January 15. HAL will seek shareholder permission for the transaction at an extraordinary meeting in the first half of January.

In the deal, Carnival will buy HAL's three cruise ships and 18 hotels in Alaska and Yukon, as well as their debts, leaving the Dutch firm without long-term debt.

HAL said it did not expect to pay taxes on the deal's book profit, which pushed liquid assets up to F1 965 a share, above the current price for the stock on the Amsterdam bourse. Trading in HAL shares was suspended yesterday. HAL shares closed at F1 1.98 on Tuesday, down from F1 2.21 on Monday but sharply up from Friday's close of F1 735.

**N.V. Nederlandse Gasunie**  
 12,500 Warrants to subscribe for Dfls 125,000,000. - Principal amount Future Rate Notes due 1993  
 NOTICE OF INTEREST RATE 5 1/4%  
 NOTICE OF EXERCISE PRICE Dfls 10,000  
 Notice is hereby given in accordance with Article 4 of the Warrant Agreement between N.V. Nederlandse Gasunie and the Warrant Agent, that the Notes to be issued on 15th December, 1988, shall bear interest from 15th December 1988 at the rate of 5 1/4 per cent, per annum.  
 The issuer will, at the option of the Warrantholder, exercise such Warrant by delivering to Euro-clear or CEDEL on a business day in Brussels or Luxembourg, on a date between December 2, 1988 (this date included) up to and including December 8, 1988, the Exercise Notice, copies of which will be available from Euro-clear, CEDEL or from the Warrant Agent. The delivery to Euro-clear or CEDEL of an Exercise Notice shall constitute an irrevocable election by the Warrantholder to subscribe for the appropriate principal amount of Notes specified therein.  
 Warrant Agent  
 SBICI Swiss Bank Corporation  
 Investment Banking N.V.  
 Amstel 344  
 P.O. Box 2900  
 NL-1000 CA Amsterdam


**CI**  
**C. ITOH FINANCE (EUROPE) PLC**  
 (Incorporated in England under the Companies Acts 1948 to 1983)  
 ¥5,500,000,000  
**Guaranteed Floating Rate Notes Due 1993**  
 Unconditionally and irrevocably guaranteed as to payment of principal and interest by  
**C. ITOH & CO., LTD.**  
 (Incorporated with limited liability in Japan)  
 In accordance with the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period from 30th November, 1988 to 30th May, 1989 being the first Interest Payment Date (all as defined in the Terms and Conditions), is 4.68 per annum.  
 Interest payable on 30th May, 1989 will amount to ¥2,320,767 per ¥100,000,000 principal amount of the Notes.  
 Agent Bank  
**The Long-Term Credit Bank of Japan, Limited**  
 Tokyo

**IMPORTANT NOTICE**  
 To Holders of  
**\$60,000,000**  
**8% Convertible Subordinated Debentures due 1995**  
 (the "Old Debentures")  
 issued by Reading & Bates Energy Corp. N.V.  
 a subsidiary of  
**Reading & Bates Corporation**  
 As part of a proposed comprehensive financial and business restructuring, Reading & Bates Corporation has filed with the U.S. Securities and Exchange Commission a Registration Statement relating to a proposed exchange offer of cash, common stock and new 8% Senior Subordinated Convertible Debentures due 1998 to the holders of the Old Debentures.  
 Copies of the preliminary prospectus relating to the proposed exchange offer may be obtained from the undersigned.  
**Smith Barney, Harris Upham & Co.**  
 Incorporated  
**London**  
 Smith Barney, Harris Upham International  
 Incorporated  
 10 Piccadilly  
 London W1V 9LA, England  
 Attn: Maxine Levene  
 01-548 5555  
**Houston**  
 Smith Barney, Harris Upham & Co.  
 Incorporated  
 1100 Milam Building  
 Houston, TX 77002, U.S.A.  
 Attn: Robert deLeeuw  
 713-750-0711  
**Geneva**  
 Smith Barney, Harris Upham International  
 Incorporated  
 6-8 Rue de Candolle  
 1205 Geneva, Switzerland  
 Attn: Jean-Jacques De Weck  
 41-22-21 32 33  
**New York**  
 Smith Barney, Harris Upham & Co.  
 Incorporated  
 1345 Ave. of the Americas  
 New York, NY 10105, U.S.A.  
 Attn: Douglas Clifford  
 212-698-6301  
**Paris**  
 Smith Barney, Harris Upham International  
 Incorporated  
 7 Place Vendôme  
 Paris (1er), France  
 Attn: C. Pinchart-Deny  
 33 1-42 96 10 66  
**Zurich**  
 Smith Barney, Harris Upham International  
 Incorporated  
 Gartenstrasse 25  
 8002 Zurich, Switzerland  
 Attn: Rolf Affolter  
 41-1 202 6000  
 Member of The Securities Association Limited  
 December 1, 1988

**MFC**  
**Mortgage Funding Corporation No 2 Plc**  
 £115,000,000  
 Class B-1  
 £11,000,000  
 Class B-2  
**Mortgage Backed Floating Rate Notes**  
 August 2023  
 For the interest period 30th November, 1988 to 28th February, 1989 the Class B-1 Notes will bear interest at 13.5125% per annum. Interest payable on 28th February, 1989 will amount to £3,331.25 per £100,000 Note. The Class B-2 Notes will bear interest at 13 1/4% per annum. Interest payable on 28th February, 1989 will amount to £3,375 per £100,000 Note.  
 Agent Bank  
 Morgan Guaranty Trust Company of New York  
 London

**TNT OVERSEAS FINANCE N.V.**  
 US\$25,000,000  
**8 1/4% Convertible Subordinated Bonds 1990**  
 Notice to Holders of Conversion Bonds (dated 11th December 1988) Convertible into Ordinary Shares of TNT Limited  
 On behalf of TNT Limited, Harbours Bank Limited hereby makes the following announcement:  
 As from 28th November, 1988, the conversion price in respect of each ordinary share, to which the above Conversion Bonds are entitled to convert, was altered from £1.22 to £1.21 as a result of a 1 for 5 bonus issue dated 28th November, 1988.

Weekly net asset value  
**Tokyo Pacific Holdings (Seaboard) NV**  
 on 28.11.88 was US\$ 172.42  
 Listed on the Amsterdam Stock Exchange  
 Information:  
 Pernod, Holding & Finance NV.

This announcement appears as a matter of record only.  
 November 1988  
  
**Nippon Oil Finance (Netherlands) B.V.**  
 (Incorporated with limited liability in The Netherlands)  
**U.S.\$100,000,000**  
**9 1/2 per cent. Guaranteed Bonds due 1998**  
 unconditionally and irrevocably guaranteed by  
**Nippon Oil Company, Limited**  
 (Nihon Sektayu Kabushiki Kaisha)  
 (Incorporated with limited liability in Japan)  
**Bankers Trust International Limited**  
**The Nikko Securities Co., (Europe) Ltd.** **Mitsui Finance International Limited**  
**Amsterdam-Rotterdam Bank N.V.** **BNP Capital Markets Limited**  
**Commerzbank Aktiengesellschaft** **Daiwa Europe Limited**  
**DKB International Limited** **Fuji International Finance Limited**  
**Nomura International Limited** **Yamaichi International (Europe) Limited**

INTERNATIONAL COMPANIES AND FINANCE

# Bridgestone to invest \$1.5bn in Firestone group

By Stefan Wagstyl in Tokyo

BRIDGESTONE, the Japanese tyre company, yesterday announced a \$1.5bn expansion plan for Firestone Tyre & Rubber, the US group it bought earlier this year for \$2.8bn.

The three-year programme includes increasing capacity at three large Firestone plants, in the US, Canada and Spain, as well as the expansion of its US distribution network.

The investment, coinciding with a forecast slow-down in North American and European car production, could herald a period of increasingly tough competition in tyre markets.

Bridgestone's stated aim is to become the world's largest tyre maker. Currently it is number three, behind Goodyear of the US and Michelin, the French group.

Bridgestone's move will help allay fears voiced in the US at the time of the Firestone acquisition that it planned to run down Firestone in order to expand sales of the Bridgestone brand in North America and Europe.

Nevertheless, an unquantified part of the new capacity at Firestone will be used to make

Bridgestone brand tyres. Also, Bridgestone tyres will be sold through Firestone's MasterCare vehicle service business.

About \$1bn of the investment will be in the North American tyre business, chiefly for expanding output at a Firestone factory at Wilson, North Carolina, by 30 per cent and at Joliette, Quebec, by 40 per cent. Also, MasterCare's network of 1,500 centres will be increased by 300.

Some \$300m will go on tyre operations elsewhere, mainly in Europe, including a 30 per cent expansion at a factory in Burgos, Spain.

The final \$200m will be spent on Firestone's non-tyre businesses, including the expansion of capacity in synthetic rubber and fabric and to roofing materials.

More than 100 Bridgestone staff, specialising in production, research and development, will be seconded to Firestone to help raise "product quality and productivity."

Bridgestone added that it was considering a separate expansion plan for its own plant at Tennessee.

# Buoyant electronics lift Toshiba and NEC

By Michio Nakamoto in Tokyo

BUOYANT demand for electronics devices has enabled Toshiba, the Japanese maker of electric and electronic goods, to lift consolidated net income for the first half ended September by 206 per cent to ¥53.4bn (\$485m).

Sales were ¥1,518bn, up 6 per cent from a year ago. Pre-tax profits jumped by 161 per cent to ¥98.72bn.

The rise in profits was mainly due to brisk demand for office automation equipment, particularly semiconductor and personal computers which were in greater demand, not only in Japan, where the company has benefited from stimulation of the domestic economy, but also overseas.

As a result, Toshiba's information communication systems and electronic devices divisions posted a 20 per cent increase in sales over the first term last year.

Overseas sales and exports were also up by 9 per cent, helped considerably by the success of Toshiba's personal computer plant in California which opened in August, 1987, and by buoyant demand for semiconductors.

NEC, the big Japanese maker of computers and semiconductors, said net earnings to the first-half ended September 36 more than doubled to ¥26.2bn or ¥17.66 per share from ¥9.515bn or ¥6.64 in the previous year.

Consolidated pretax profit surged 72.4 per cent to ¥48.7bn from ¥28.2bn. Sales totalled ¥1,425bn, up 14.7 per cent from ¥1,242bn.

Sales of communications equipment to the six months rose 13.5 per cent to ¥399.6bn from ¥352bn, while computer sales totalled ¥549.1bn, up 8.5 per cent from ¥506.2bn. These of electronic devices surged 24.6 per cent to ¥268.6bn from ¥211.6bn.

# Samancor plans to shake up stainless steel market

The world's stainless steel industry is in line for a major shake-up next year if Samancor, the South African ferro-alloys company, goes ahead with plans to make its own steel.

For the present Mr John Muller, Samancor's acting managing director, is reluctant to talk about the project in any but the most general terms, but the company's competitors here have fewer inhibitions.

It is a highly risky venture as most of the world's stainless markets are closed to outsiders, says Mr Leo Melville, the marketing director of Middelburg Steel & Alloys. He adds that South Africa's manufacturers of ferro-chrome, one of the basic ingredients of stainless steel, need to be careful in competition with their principal foreign customers.

At present Middelburg is South Africa's only stainless steel producer and will increase its production of rolled products to 150,000 tonnes next year from the present 100,000 tonnes.

This year the non-communist world will produce 10.2m tonnes of stainless and specialty steels, and the people marketing Middelburg's production are sensitive to the risk that additional production could disrupt the market.

Middelburg sells small tonnages in several markets, while it seems Samancor plans to produce 250,000 tonnes of stainless billets destined for a single market - Taiwan.

Mr Gert Jonker, a director of ferro-chrome producer Consoli-

dated Metallurgical Industries, says Samancor's stainless production plans are logical. He believes the proposed plant's output is destined for Tangeng, the Taiwanese steelmaker and an important customer for Samancor's ferro-chrome.

Hot billets, the crudest form of stainless steel, will be exported to Taiwan for the more complicated and costly annealing, pickling and cold rolling processes. At a time

year's 2.47m tonnes has slipped slightly. By 1993, however, about 650,000 tonnes should have been added to South Africa's total ferro-chrome capacity, lifting annual output to about 1.8m tonnes.

Ferro-chrome demand last year outstripped supply by about 77,000 tonnes and as the deficit rose to about 150,000 tonnes in 1988 the alloy's price rose sharply with customers being rationed and world inventories cut to their present 1.5 weeks of demand.

Inventories are now so low that any delays in shipments from South Africa can seriously disrupt some stainless manufacturers' production schedules. Next year additional production from South Africa and other, more costly, producers should ensure the deficit is eliminated.

South African producers do not expect prices to soften. They believe 1989 will be the year of rebuilding inventories and that present ferro-chrome prices can be maintained.

They are less certain about prices rising for, as Mr Jonker sees it, higher ferro-chrome prices could force stainless steel makers to raise their prices and make stainless uncompetitive. Demand for stainless steel has firmed in recent years because comparatively flat prices made it competitive against increasingly costly plastics and aluminium.

The steel's comparative cheapness also gave it the edge in construction projects where it became cheaper than conventional carbon steels judged by life cycle costing.

# Jim Jones in Johannesburg on South African ferro-alloys producers' plans

when ferro-chrome is in particularly short supply, the Taiwanese steel company is clearly attracted by the prospect of a secure supply for its stainless rolling mills.

Between 1970 and 1987, Middelburg estimates, world stainless steel production rose at an average annual rate of 3.5 per cent. Growth has been cramped this year by shortages of ferro-chrome and nickel prices rising on supply disruption fears.

Although South Africa's ferro-chrome production is set to rise sharply over the next few years as new capacity comes on stream, over-supply is unlikely to be a noticeable factor in 1989, said Mr Jonker.

Last year South Africa produced half of the world's 2.22m tonnes of ferro-chrome, though its percentage share of this

# LTA interim profits restricted

By Jim Jones

COMPLETION of old contracts won when margins were particularly narrow has restrained interim profit growth at LTA, one of South Africa's largest civil engineering and construction groups.

Though the industry remains very competitive the directors are confident operating results will improve. Turnover rose to R559m (\$241m) in the first half ended September 30 from R510m in the corresponding period of 1987.

The interim operating profit

before interest and tax rose to R7.9m from R5.5m and pre-tax profit was R6.2m against R5.1m. In the last financial year turnover was R1,248m, the year's operating profit R10.8m and pre-tax profit R9.3bn.

The directors base their optimistic forecast on LTA's participation in several major projects in the sub-continent. They say the company is already involved in the Lesotho Highlands water project and the Mossel Bay synthetic fuels project.

First-half earnings per share were 21 cents against 11 cents a year earlier. Ordinary dividends have not been declared since 1984.

LTA is controlled by Anglo American Corporation, South Africa's largest mining house.

Tempest International, the Swiss audio products maker, has sold its South African interests to Supersonic Radio, the local subsidiary of the Dutch Interboard company, for R21.1m (\$7.6m at the financial rand exchange rate).

NOTICE TO HOLDERS OF WARRANTS OF  
**KIRIN BREWERY COMPANY, LIMITED**  
 IN CONJUNCTION WITH  
 U.S.\$500,000,000  
 2 1/4 per cent. Notes due 1992

Pursuant to Clause 3 and 4 of the Instrument, dated 4th August, 1987, the following notice is hereby given:

At the meeting of the Board of Directors of Kirin Brewery Company, Limited (the "Company") held on 10th November, 1988, a resolution was adopted for the issue of new shares by way of free distribution, particulars of which are given below. Consequently the subscription price of the captioned Warrants shall be adjusted, as specifically provided in paragraph 3 below.

1. The free distribution of new shares will be made to shareholders on record as of 31st December, 1988, Tokyo time, at a ratio of 0.05 for each one share held.
2. The free distribution shall be made on 15th February, 1989, but the dividends for these new shares will accrue as from 1st January, 1989, Tokyo time.
3. Pursuant to condition 7 of the Warrants, the subscription price will be adjusted from Yen 2,563 to Yen 2,441.00 per share. The new subscription price shall become effective on 1st January, 1989, which is immediately after the record date.

The Mitsubishi Bank, Limited  
 As the Fiscal Agent on Behalf of:  
**KIRIN BREWERY COMPANY, LIMITED**  
 1st December, 1988

FIRST NATIONAL BANK Plc  
 AND FIRST NATIONAL  
 MANAGEMENT LIMITED

ANNOUNCE THAT WITH EFFECT FROM  
 1st DECEMBER 1988  
 THE HOME LOAN RATE WILL BE  
**13.75%**

First National House, College Road, Harrow, Middlesex HA1 1FB.

**CITICORP MORTGAGE SECURITIES, INC.**

REMIC Pass-Through Certificates, Series 1987-13  
 US\$57,067,000 Initial Stated Amount of  
 Class A-1 Citicertificates

For the period 1st December, 1988 to 1st March, 1989 the Class A-1 Citicertificates will carry an interest rate of 10.25% per annum with an interest amount of US\$24.29 per US\$1,000 (the Initial Stated Amount of an individual Citicertificate) payable on 1st March, 1989. The Stated Amount of the Citicertificates outstanding will be 94,780,453% of the Initial Stated Amount of the Citicertificates, or US\$947.88 per individual Citicertificate until 1st March, 1989.

Security Pacific  
 National Bank, London Agent Bank  
 1st December 1988

**European Investment Bank**

Issue of  
 £100,000,000  
 9 1/2 per cent. Loan Stock 2008  
 Issue Price 95.888 per cent.

Berclays de Zoete Wedd Limited has agreed to subscribe for £100,000,000 9 1/2 per cent. Loan Stock 2008.

The Stock has been admitted to the Official List of The Stock Exchange. Dealings in the Stock are expected to begin at 9.00 a.m. on 1st December, 1988 without documents of title and at seller's risk for deferred settlement on 12th December, 1988. Interest will be payable half-yearly on 9th June and 9th December.

Particulars of the Stock are available in the Extra Statistical Service. In addition, listing particulars relating to the Stock may be obtained during normal business hours up to and including 5th December, 1988 from the Company Announcements Office of The Stock Exchange, 40/50 Finsbury Square, London EC2A 1DD and on any weekday (Saturdays and public holidays excepted) up to and including 18th December, 1988 from:-

European Investment Bank: 100 Boulevard Konrad Adenauer, L-2960 Luxembourg.

Bank of England Registrar's Department, New Change, London EC4N 3AA.

Sponsoring Brokers: Reuters & Plummer Ltd. de Zoete & Brown Limited

1st December, 1988

This announcement appears as a matter of record only.

New Issue

25th November, 1988

This announcement appears as a matter of record only.

New Issue

25th November, 1988

**NIPPON OIL FINANCE (NETHERLANDS) B.V.**  
 (Incorporated with limited liability under the laws of The Netherlands and established in Amsterdam)

¥8,000,000,000

Floating Rate Notes due 1992

Issue Price 100.30 per cent.

Yamaichi International (Europe) Limited Mitsui Trust International Limited  
 Daiwa Europe Limited DKB International Limited  
 Mitsui Finance International Limited Nomura International Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

New Issue

25th November, 1988

**NIPPON OIL FINANCE (NETHERLANDS) B.V.**  
 (Incorporated with limited liability under the laws of The Netherlands and established in Amsterdam)

¥6,000,000,000

7 1/2 per cent. Notes due 1992

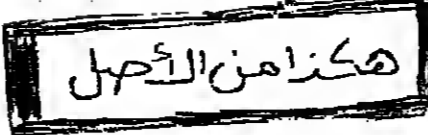
Issue Price 110% per cent.

Nomura International Limited

Bank of Tokyo Capital Markets Group Barclays de Zoete Wedd Limited  
 Fuji International Finance Limited Mitsui Finance International Limited  
 The Nikko Securities Co., (Europe) Ltd. Yamaichi International (Europe) Limited







INTERNATIONAL CAPITAL MARKETS

EIB issue turns attention away from long-term gilts

By Norma Cohen in London and Anatole Kalitsky in New York

UK GOVERNMENT conventional bonds closed lower in sluggish trade, with falls among longer issues particularly noticeable. Dealers pointed to the emergence of a new £100m domestic bond due 2009 for the European Investment Bank as the likely cause for the selling among long-term issues, noting it was the most attractive alternative to long-term gilts for some time.

The issue was priced to give investors a yield pick-up of 85 basis points over the 9 per cent Treasury stock due 2008. It is rated AAA.

As a result, investors were switching out of gilts and into the EIB issue, sacrificing just a little liquidity to obtain quite a substantial yield pick-up.

The severe shortage of stock in that sector is already reducing the effectiveness of the long-term gilt futures contract as a hedge - and possibly undermining the willingness of investors to hold long gilts in their portfolios.

Rates at the auction fell to 14.872 per cent from 14.945 per cent at the last auction. However, short rates are still too high to make it worth investors' while to borrow funds to finance a long-term position.

REPORTS of moderating economic growth and hopes of stability in the currency and oil markets helped US bond prices extend their recent rally in early trading yesterday.

Dealers said retail demand had apparently prompted the Bank of England to release some of the index-linked stock it bought two weeks ago as prices fell sharply. In addition, some dealers speculated that a £100m sell programme in UK equities had been diverted, at least partially, into the index-linked securities which the bank serves as a proxy for the stock market.

BOND PRICES in Tokyo firmed yesterday, with the benchmark 105th government issue rising ¥0.30 to ¥102.85. The yield on the benchmark issue declined 0.045 of a basis point to 4.555 per cent.

Meanwhile, the Bank of Japan said the coupon on its new 10-year bond to be auctioned in December would be 4.7 per cent, making it increasingly likely that the 4.8 per cent number 111 bond would become the new benchmark.

By early afternoon, the Treasury's benchmark long bond, which had advanced by about 1/2 point on Tuesday, added another 1/2 to trade at 98 1/2, a price at which it yielded 8.063 per cent.

Money market rates remained stable throughout the morning, as the Federal Reserve added liquidity through overnight system repurchases. The Fed entered the market for \$1.25 billion of paper bought by the Bank of Italy.

The market was encouraged by the stability of the dollar, which managed to remain well above its recent lows despite the absence of central bank intervention. As the day progressed, however, the US currency again showed signs of weakness, falling to ¥121.45 and DML7310.

Oil prices were also a mildly bullish influence, as the big rally in oil futures which followed the Opec production accord began to stall.

The main factor in the market's favour, however, was the publication of the Fed's "tan book" a compendium of economic information put together for the next meeting of the Fed's open market committee, to be held on December 13 and 14.

The tan book said that while economic growth was continuing in most parts of the country, its pace had apparently slowed from previous months.

Italian Treasury's 8-year bond disappoints

By Alan Friedman in Rome

A NEW fixed-rate L1,500bn (\$1.17bn) Italian Treasury issue with an eight-year maturity, the longest seen in recent history, has turned out a flop. Despite the authorities' assumption that, with inflation fairly stable, Italian institutions would wish to lock into longer-term yields, only L294bn of the issue - a little more than a third - was taken up, including L150bn of paper bought by the Bank of Italy.

In theory, the eight-year bond, with a put option after four years, should have gone well. Recent issues of three to five-year paper have been heavily oversubscribed and the market had expected interest rates to ease.

The eight-year issue, known as a CTO, offered a 10.35 per cent coupon and was priced to offer a 10.67 per cent net yield if the put option were exercised in the fourth year, or 10.87 per cent net after eight years.

But recent issues of three to five years, known as BTPs, have offered yields of 11.2 per cent. The Treasury offer, in some ways an experiment, may have suffered from institutional weariness, given the recent rise in US and UK interest rates.

The Italian market was probably also sensitive to a slight hint of higher inflation in last month's figures, despite forecasts that inflation would remain below 5 per cent.

Bank of Korea fights for autonomy

By Maggie Ford in Seoul

TEAMS of officials from Western central banks are being asked for advice by the Bank of Korea, their South Korean counterpart, which is fighting for its independence from central government.

Officials from the Bank of England, the West German Bundesbank and the Bank of France have received South Korean delegations or paid visits to Seoul to advise on the functions of a central bank and the way relationships with governments work in the West.

The Bank of Korea, which for years has been controlled firmly by the Ministry of Finance, has mounted a strong campaign for autonomy. Its headquarters is draped with banners calling for economic and financial democracy and its cause has been taken up by opposition politicians.

The issue has gained momentum in the past few weeks during televised parliamentary investigations into the regime of Mr Chun Doo Hwan, the former president.

The hearings revealed a host of details about the way political funds had been extracted from government departments for favours, with companies being made bankrupt or reorganised for political reasons.

The Bank of Korea believes it needs independence in order to manage the economy competently. It points to the extreme difficulty it experienced earlier this year in controlling the

money supply and thus the inflation rate. Observers believe that political payments made during last year's presidential election caused the money supply to overshoot its target of an increase of 18 per cent. It recorded a 22.5 per cent rise in December. The rate of inflation, which had remained steady at about 3 per cent for several years, reached a year-on-year rate of 8.4 per cent last March, but has now fallen.

The central bank is also concerned that its ability to supervise the commercial banks is compromised by the awarding of so-called "policy loans", which are directed by the Government to be given to certain companies in specific industrial sectors.

The bank says that it is impossible to scrutinise a company's financial structure and worth as a creditor under this system.

A government plan to liberalise interest rates will not be workable unless the relationship between the private sector and the Ministry of Finance is changed, it adds.

Foreign central banks have also had contacts with officials from the Monetary Board, a body set up by the Ministry of Finance to liaise with the Bank of Korea.

Chairmanship of this body, composed mainly of academics and other official economists, should be held by the governor of the Bank of Korea, not the vice minister of finance, critics argue.

The bank's struggle for independence is also linked with the issue of South Korea's financial liberalisation. Although it is unclear how the bank's attitude to deregulation would differ from that of the ministry, the bank could expect an increase in its role if capital markets were expanded.

Public and government concern about liberalisation focuses on two main issues - the possibility that large business groups could expand their interests to cover an even larger sector of the economy than they have now, and that foreigners, especially Japanese, could gain control of key sectors of industry or banking.

Supporters of the bank's campaign say an independent central bank with appropriate powers can act as a necessary check on such activities.

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The bank's struggle for independence is also linked with the issue of South Korea's financial liberalisation. Although it is unclear how the bank's attitude to deregulation would differ from that of the ministry, the bank could expect an increase in its role if capital markets were expanded.

Public and government concern about liberalisation focuses on two main issues - the possibility that large business groups could expand their interests to cover an even larger sector of the economy than they have now, and that foreigners, especially Japanese, could gain control of key sectors of industry or banking.

Supporters of the bank's campaign say an independent central bank with appropriate powers can act as a necessary check on such activities.

SEoul COMMITTEE BACKS OPEN SECURITIES MARKET

AN ADVISORY committee has recommended that South Korea open its securities market to direct foreign investment by 1992. AP-DJ reports from Seoul.

Finance Ministry officials said the Finance Industry Development Deliberation Committee made the recommendation on Tuesday, when the committee met to propose a set of measures to the ministry. The committee said an earlier opening was not advisable as the South Korean economy was not yet ready to compete against foreign capital.

The Government still bans direct foreign investment on the market - prompted by fears that foreign capital might dominate the South Korean capital market - although foreigners are allowed to make indirect investment through overseas Korea funds.

The Finance Ministry is due to announce in about a week's time a timetable for opening capital markets to foreigners. Before the proposed opening, the committee suggested, the size of Korea fund-type investment units and the issue of beneficiary certificates for foreign investors should be expanded.

The committee also called for an increase in the issue of such overseas securities as convertible bonds, bonds with subscription warrants and depositary receipts.

The committee also recommended that foreign securities companies be allowed to establish more liaison offices in South Korea, and that foreigners' equity participation in domestic brokerage houses be expanded before 1993.

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Export finance facility arranged for Zimbabwe

By Katharine Campbell

A NEW \$45m revolving bankers acceptance export finance facility has been arranged and syndicated for Zimbabwe's Agricultural Marketing Authority.

The facility, similar to one arranged last year, carries a Government of Zimbabwe guarantee and a margin of 1/2 percentage point over the bankers' acceptance rate, as last year. Bankers Trust is arranging the loan, replacing the ANZ Banking Group, which put together the 1987 financing.

The facility was substantially oversubscribed, which Bankers Trust ascribed to a steadily improving market perception of Zimbabwe. This year's financing is denominated in dollars.

Export sales covered will include certain regulated agricultural products, such as maize, cotton, coffee and beef. Elsewhere, Western Australian Treasury Corporation expanded to \$750m a \$200m Eurocommercial paper programme, adding an option to issue Euroyen. The current dealers, CSFB, which arranged the programme, and Citicorp, have been joined by Daiwa Europe, Merrill Lynch and Shearson Lehman Hutton. The programme, with prime A1+/P1 credit rating, will absorb and eventually replace the previous facility, arranged for the State Energy Commission.

Amro set to shed 50% holding in Dutch bank

By Laura Rasm in Amsterdam

THE Amsterdam-Rotterdam Bank (Amro) expects to complete shortly the sale of its 50 per cent stake in Albert de Bary, a medium-sized Dutch bank, to Deutsche Bank, which holds the remaining stake.

Deutsche Bank has been negotiating for several months to take full control of De Bary as part of its expansion of international securities trading business.

The big German bank believes that such European financial centres as Amsterdam and Paris will grow in importance at London's expense in coming years and wants to be well placed to take advantage of the trend.

Dutch government bonds have taken on more significance in the wake of West Germany's withholding tax on its state bonds.

Amro refused to disclose any details of the deal in a terse statement issued yesterday. But the Netherlands' second largest bank is concentrating its attention these days on its strategic alliance with Generale Bank of Belgium.

De Bary is primarily engaged in international trade financing, although it is a member of the Amsterdam stock exchange and the European Options Exchange. It had a balance sheet total of F13.5bn (\$1.8bn) as of 30 September 1987, down slightly from the year before.

AIBD Trax system in Telexurs link

By Dominique Jackson

THE ASSOCIATION of International Bond Dealers has announced that Trax, its trade matching and reporting system, will be made available to members through Telexurs, the financial information and market data service.

From early 1989, connection to Trax will be offered either through Telexurs' Investdata terminals or via their computer-to-computer interface. Telexurs has 30,000 subscribers, terminals in operation, mainly in Switzerland.

BENCHMARK GOVERNMENT BONDS

Table with columns: Coupon, Bid Price, Price Change, Yield, Week ago, Month ago. Rows include UK Gilts, US Treasury, Japan, Germany, France, Canada, Netherlands, Australia.

London closing. Denotes New York morning session. Month ago yields on US Treasury apply to the 2.25 of '88 and the 1.25 of 2018. Yields: Local market standard. Prices: US, UK in 32nds, others in 1/16th.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

Table showing Rises and Falls for various market indices like British Funds, Industrials, and others.

LONDON RECENT ISSUES

Table listing recent issues with columns for Issue, Price, Yield, and other details.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for Issue, Price, Yield, and other details.

RIGHTS OFFERS

Table listing rights offers with columns for Issue, Price, Yield, and other details.

TRADITIONAL OPTIONS

● First Dealings Dec 21 ● Last Dealings Dec 22 ● Last Declarations Feb 23 ● For Settlement Mar 6

LONDON TRADED OPTIONS

Large table showing various traded options with columns for Option, Calls, Puts, and other details.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table showing FT-Actuaries Share Indices with columns for Index, Change, and other details.

FIXED INTEREST

Table showing fixed interest rates with columns for Price, Yield, and other details.

● Opening Index: 1795.0 on 10.11.1987. 1.11.1988. 1.11.1989. 1.11.1990. 1.11.1991. 1.11.1992. 1.11.1993. 1.11.1994. 1.11.1995. 1.11.1996. 1.11.1997. 1.11.1998. 1.11.1999. 1.11.2000. 1.11.2001. 1.11.2002. 1.11.2003. 1.11.2004. 1.11.2005. 1.11.2006. 1.11.2007. 1.11.2008. 1.11.2009. 1.11.2010. 1.11.2011. 1.11.2012. 1.11.2013. 1.11.2014. 1.11.2015. 1.11.2016. 1.11.2017. 1.11.2018. 1.11.2019. 1.11.2020. 1.11.2021. 1.11.2022. 1.11.2023. 1.11.2024. 1.11.2025. 1.11.2026. 1.11.2027. 1.11.2028. 1.11.2029. 1.11.2030.

UK COMPANY NEWS

# Siebe lifts dividend 25% as interim profits grow

By Vanessa Houlder  
SIEBE, controls, engineering, and safety equipment group, yesterday unveiled a 35 per cent rise in pre-tax profit to £67.6m for the six months to September 30, from £50.1m, on turnover up 18 per cent to £268.9m.  
Shareholders receive a 25 per cent increase in their dividend, the interim being 3.75p (2.7p). Earnings rose 9 per cent to 21.7p (18.9p).  
Following the announcement, the share price fell 3p to 376p.  
Siebe also announced that it had won approval for its £15.7m acquisition of 76 per cent of Gestra, a West German controls company, from the German Federal Cartel Office.  
Mr Barrie Stephens, chief executive, described the profits advance as a "very positive" and predicted that satisfactory progress would be maintained. "We intend to continue our thrust to keep lean and skinny and mean," he said.  
The figures were boosted by a contribution from Barber-

Colman, the US controls company bought in October last year. It increased its profits from £1.1m to £7.2m, after the elimination of overheads and non-profitable products and its integration into Siebe's worldwide control operations.  
Siebe cut its working capital by £21m in the first half of the year by reducing its inventory and receivables. Mr Stephens said the squeeze on working capital would continue and the drop would total £50m for the full year. Job losses aggregated 750 since the year end.  
The decline in the dollar knocked £4m off profits on translation. Gearing was reduced from 44.8 per cent to 40.6 per cent. The order book increased to £265m from £260m at the year end.  
Tax charge fell to 36.3 per cent from 38.9 per cent following lower overseas tax rates and tax losses in acquired companies.  
The Gestra acquisition was in consonance with Siebe's strategy of concentrating on its



Barrie Stephens plans to keep company "lean and mean"

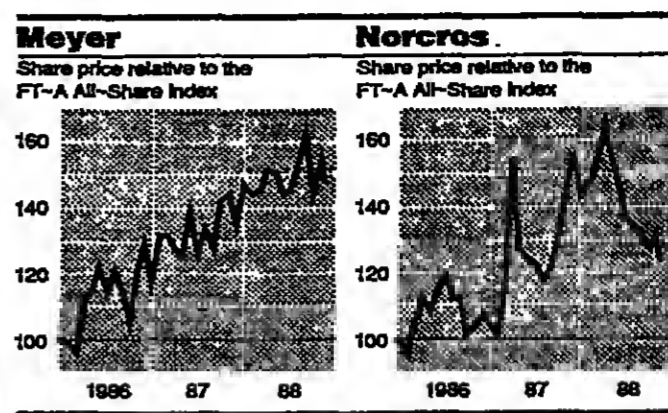
# Bowater in European packaging disposal

By Maggie Urry  
BOWATER INDUSTRIES, building materials, packaging and tissue paper group, has agreed to sell its corrugated packaging businesses in Belgium and France to SCA of Sweden, the major paper company for £25m. The Belgian business, which has two plants, has over a fifth of the market.  
Bowater decided to sell the businesses, which have annual sales of around £50m, because they were in the commodity end of the "brown box" market. The market for these is very competitive and it has been difficult to pass on rises in paper costs to customers. Bowater's new management team has been taking a more critical look at its businesses with the aim of increasing margins across the business.  
SCA has been looking for acquisitions which give it greater vertical integration, and has been expanding its activities within the European Community. Early this year SCA acquired Paandone, the leading French disposable nappy maker, and it has made packaging acquisitions, for instance in Italy.  
Bowater's UK packaging activities have been the subject of substantial investment to increase the added value element of packaging, and thus raise margins. For example, it is a major supplier of "pre-printed" corrugated boxes which have a superior print quality and can be used to display goods attractively.  
Mr David Jones, finance director of Bowater Print and Packaging, said it would have taken significant investment to bring the Belgian and French businesses up to the level of the UK activities. He said they would fit better in a paper company.

# Building up a market presence

Philip Coggan on the advantages of the Norcros and Meyer swap

RARELY can a corporate deal have so suited the long-term strategies of its protagonists as the swap of businesses between Norcros and Meyer International. By acquiring UBM Meyer adds the extra tranche of manufacturing branches which included it in October when Travis & Arnold offered for a rival offer from Sandell Perkins.  
With the sale of UBM and the addition of Crosby, Norcros is able further to concentrate its activities as part of the restructuring in the wake of Williams' Holdings' unsuccessful bid in 1987.  
The addition of UBM to Meyer's Jewson chain increases the growing concentration in the now fragmented builders' merchandising sector. Size brings economies of scale in the form of greater purchasing power; it also brings brand recognition, a tendency fostered by Jewson's TV advertising campaign. Harrison & Crofield, the chemicals & plantations group, recently rechristened its 137 outlets under the Harvoco brand name.  
Although many builders' merchants dismiss the threat of the large DIY retailers, the so-called "sheds," Mr Michael Doherty, chief executive of Norcros, says they are a real challenge. "The DIY groups offer credit terms and delivery services which are difficult to match," he says.  
The usual argument against the sheds is that the quality of customer service, in the form



of expert advice, is much lower than the average merchant. But Mr Doherty argues that many builders do not need expert advice to buy low-budget items such as screws.  
Mr Doherty believes that Norcros would have needed to have spent an awful lot of money to consolidate its position in the builders' merchandising industry. For a group the size of Meyer, branding obviously helps to see off the competition from the sheds.  
It is hard to say, in turnover terms, which merchant was previously the biggest since several of the major chains are part of large industrial groups, which do not break down their sales.  
But it is clear that in branch numbers, Meyer was and is now easily the biggest group. After it has rationalised the UBM chain, it will have between 230 and 250 outlets,

compared with the 164 branches of the combined Travis Perkins. Mr Oscar de Ville, Meyer chairman, believes it will have about 13.5 per cent of the market.  
However, Meyer's size in the builders' merchandising sector was restricting the potential of its Crosby building products manufacturing businesses. Many of Crosby's customers were Meyer's competitors.  
The one remaining question for Meyer is what to do with its stake in Travis Perkins. Following the defeat of its offer for Travis & Arnold, Meyer was left with a 20 per cent stake in the combined group. It said yesterday that it continued to regard the stake as a long-term investment, but now it has bought UBM a renewed bid for Travis Perkins would seem likely to provoke monopoly questions.  
Norcros by taking over the

UK Builders' merchant branches

Meyer International (Jewson)	173
Travis Perkins	164
Harrison & Crofield (Harvoco)	137
STP (Graham)	130
Bowater (Crosley and Ferguson)	104
Norcros (UBM)	83

Crosby businesses, will substantially increase its range of products.  
The merger will create a division with annualised turnover of £200m. It is hard to rate Norcros's position in the building materials sector since so many companies concentrate on "heavy" products such as cement and bricks, but in its own markets, Norcros says it is one of the biggest players.  
The disposal of UBM is the end of an unhappy chapter in Norcros's history. Acquired in 1985 after a bid battle, UBM has rarely fitted easily into the group; Williams Holdings in the course of its offer argued that UBM needed to be cautious about its expansion strategy.  
Once UBM is sold, Norcros will effectively be reduced to three divisions - building products, printing and packaging, and property. Mr Doherty, who took over as chief executive earlier this year after his predecessor Mr Terry Simpson left after a boardroom row, thinks that Norcros can use those three divisions as the base for expansion.

# Water stake changes hands

By Andrew Hill

THE WATER Companies Association Pension Fund has sold a 5 per cent stake in Rickmansworth Water Company to Compagnie Generale des Eaux, France's largest water supplier.  
The sale enabled the French group to yesterday declare a surprise 16.1 per cent stake in Rickmansworth, to the annoyance of SAUR Water Services, a rival supplier which has a 27.7 per cent holding in the company.  
Although the Water Companies Association, which represents the UK's 28 quoted statutory water companies, has broadly welcomed recent French investments in the sector, this is the first time it has appeared to favour one French water supplier over another.  
Rickmansworth, which handles the water supply for Heathrow Airport, said it welcomed the Generale des Eaux investment, made through its General Utilities subsidiary, and that it did not believe it

was impossible to co-operate with two major investors.  
But SAUR, a subsidiary of Bouygues, the French construction group said it was "disappointed and rather astonished" at the move. SAUR selected Rickmansworth in 1987 for its first investment in the statutory water company sector, through a joint venture with Trafalgar House, which has since pulled out.  
In October, SAUR sold stakes in Lee Valley and North Surrey to Generale des Eaux, precipitating bids for the two companies, but SAUR said yesterday it had no intention of selling out to its rival on this occasion.  
Yesterday's announcement further complicates a web of agreements and investments in water companies bordering north west London.  
Following a recent management agreement, Rickmansworth shares a managing director with neighbouring Colne Valley Water Company,

in which SAUR has a 25 per cent stake and Generale des Eaux owns 28 per cent. Generale des Eaux controls a third company in the area, Lee Valley, following an agreed £41m bid.  
Generale des Eaux has now received acceptance of its agreed £41m bid for Lee Valley Water Company representing 78.9 per cent of the issued capital.  
The French group also announced that 69.2 per cent of the voting stock in North Surrey Water Company had been committed to its agreed £15.6m offer. Both bids were declared unconditional earlier this month and will remain open until further notice.  
Separately, the Department of Trade and Industry announced yesterday that Generale des Eaux's bid for Lee Valley would not be referred to the Monopolies and Mergers Commission. The DTI has yet to rule on the North Surrey bid.

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# Smurfit's £57m Spanish buy

By Kieran Cooke in Dublin

JEFFERSON SMURFIT, the Dublin-based group which claims to be one of the largest paper packaging businesses in the world, has announced an £57m (£56.7m) cash purchase of the Spanish Industrial Cartonera company.  
Industrial Cartonera is a private Spanish company producing more than 100,000 metric tonnes of recycled paper each year from a plant in southern Spain and 40,000 tons of corrugated cases from plants in Madrid, Barcelona and Valencia. Its pre-tax profits last year were £8m.  
Smurfit said the purchase was in line with the group's aim of developing its place in the European paper and packaging industry. Smurfit has recently made big moves into the Spanish market and already has a fully-owned Spanish subsidiary, CartoEspa.  
Smurfit, one of the Irish Republic's largest companies and with major interests in the US, made pre-tax profits of £109.2m in the six months to the end of July.

# Shanks & McEwan rises 36% to £6.5m

By Fiona Thompson

SHANKS & MCEWAN Group, waste disposal specialist, yesterday reported a 36 per cent increase in pre-tax profits for the six months to September 24, from £4.76m to £6.51m. Turnover advanced by 41 per cent to £40.50m (£28.57m) and earnings per share rose to 21.5p (15.7p).  
An unchanged interim dividend of 7p was declared.  
The Glasgow-based group is by far the largest waste disposal concern in the UK, with more landfill capacity than all its competitors put together. This came about in the mid-1980s when it acquired from Hanson the landfill access to all of London Brick's sites and the rights to future sites.  
Shanks & McEwan's sites are

in an arc around north London, in the Midlands, in central Scotland and north Wales. The group shifts more than 4m tonnes of waste a year, giving it 6.2 per cent of the UK market. In addition, methane gas produced naturally in the landfill sites is piped off for sale to London Brick to fire its kilns.  
The landfill gas business is in its early stages, but according to Mr Peter Runciman, chairman, over the next three years it will become a strong contributor to profits.  
Mr Runciman said the results reflected excellent progress, especially as a number of acquisitions had been made during the period, including two landfill sites, five transfer stations (where rubbish is

taken to be compacted before removal to landfill sites), and three waste collection and landfill businesses in Scotland.  
The group was continually seeking acquisitions. More than 20 were being considered.  
Tax took £1.95m (£1.24m). An extraordinary dividend of £141,000 related to management reorganisation and acquisition costs.  
The announcement was the deal of a lifetime for Shanks & McEwan, no one can ever catch it up now. It has 60 years worth of holes in the ground at a time when fewer quarries are being started, that is: fewer future holes, and when more and more waste is being created. Analysts are forecasting £13.5m for the full year, putting the shares, 8p down at 922p last night, on a prospective p/e of 22. The rat-

ing is full, but Shanks & McEwan's assets are worth more than the share price and the company is still at the beginning of a very rapid rise in earnings: it is not just the number, but the location of its sites. By 1992 it could have 70 per cent of all landfill sites in the range of north London. The company is well managed, it steers clear of contentious foreign waste and worrying toxic waste, and, as Mrs Thatcher becomes greener, tighter legislation will eliminate some of the cowboy, moving even more business its way.

To the Holders of Warrants to subscribe for shares of common stock of OHBAYASHI ROAD CONSTRUCTION CO., LTD. (the "Company").

(Issued in conjunction with an issue by the Company of U.S. \$25,000,000 1 3/4 per cent. Guaranteed Bonds 1992)

NOTICE IS HEREBY GIVEN, in accordance with clause 4 (E) (ii) of the instrument by way of deed poll dated 22nd July, 1987 made by the Company in connection with its issue of bearer warrants ("Warrants") to subscribe up to ¥3,697,500,000 for shares of common stock of the Company that, subject to the appropriate resolutions being passed at the annual general meeting of the shareholders of the Company to be held on 18th December, 1988, the Company will change, with immediate effect from such date, its financial year-end from 30th September to 31st March. As a transitional measure, the company will have a six-month financial period from 1st October, 1988 until 31st March, 1989 and thereafter its financial year will be from 1st April until 31st March of each following year.

Accordingly, the record date for the payment by the Company of annual cash dividends will become 31st March in each year (starting from 31st March, 1989).

The dividend accrual period will henceforth be the six-month period from 1st October, 1988 to 31st March, 1989 and thereafter each 12-month period ending on 31st March in each year. Except for the change in the dividend accrual period, the Terms and Conditions of the Warrants shall remain unmodified and with respect to any annual cash dividend payable on the shares issued upon exercise of Warrants, such exercise shall be deemed to have taken effect at the beginning of the dividend accrual period in which it occurs.

OHBAYASHI ROAD CONSTRUCTION CO., LTD. By: The Toyo Trust and Banking Company, Limited as Principal Paying Agent

## BANK OF IRELAND BASE RATE

Bank of Ireland announces that with effect from close of business on 29 November 1988 its Base Rate is increased from 12.00% to 13.00% p.a.

Area Office 36 Queen St London EC4R 1BN

# Oliver increases bid pressure

Oliver Resources, Dublin-based oil and gas group, stepped up the pressure in its £8.5m bid for North West Exploration with a circular criticising the target company's decision to dispose of its Glengview gypsum deposit in County Cavan at a "giveaway price" - annual payment of £500,000 over 30 years.  
Oliver said the "ill-conceived deal" was worth only £5m on a net present value basis, not the £15.7m in cumulative income which Belfast-based North West said it would receive from Sean Quinn (Quarries), a Northern Irish company.  
The bidder also said it had the financial strength and management experience to develop the mineral assets of the two companies, both of which are quoted under the Stock Exchange's rule 535 (3).  
On the basis of Oliver's share price of 184p, its all-per seven-for-two offer values North West at 64%, against the market quotation of 49p. As of last Friday, Oliver owned or received acceptances for 48.32 per cent of North West shares.

# Barlo Group growth

Barlo Group, Irish manufacturer of central heating equipment, raised pre-tax profits from £527,000 to £704,000 (£687,800) on turnover of £13.1m (£12.21m) for half year to September 30 1988. Earnings per share were 1.81p (1.56p) and interim dividend 1.25p.

DIVIDENDS ANNOUNCED

Company	Curre. payment	Date of payment	Corres. - of pending dividend	Total for year	Total last year
Barlo Group	1.25p	-	-	-	7.81
Bessett Foods	2.2	-	2.07	-	5.75
Chemroy Int	2.0	-	1.85	22.5	14.25
Hardanger Prop	1.5	18	-	-	-
HPC S	1	18	-	-	-
Irish Wire	1.5p	Jan 4	nil	-	nil
Kwik Serve	5.4	Jan 20	4.7	7.8	8.8
Messers Eats	2.2	22	1	-	8.5
Porter Chubburn	0.81p	April 7	0.25	-	1.05
Rothe & Nolan	2.1	Jan 25	1.5	-	4
Routinson Sees	0.24	-	0.22	-	0.9
Shanks & McEwan	7p	Mar 31	2.7	-	16.2
Siebe	3.75p	Mar 30	2.7	-	8.78
TSS Ch Islands	2.08	-	2.32	4.88	4.32
Voepper/Thornycroft	2.75	Jan 19	-	-	0.825
Wyndham Group	1.51	April	1	-	3

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issues. †On capital increased by rights and/or acquisition issues. ‡USM stock. ††Unquoted stock. †††Third market. ††† To reduce disparity. † Irish currency.

# Hardanger Property up to £7m

By William Cochrane

HARDANGER PROPERTIES, the Kildrinstair, Worcester-shire-based specialist in prime retail property development, maintained its top performance rating yesterday with a rise of a third in pre-tax profits, to £7.04m for the year to September 30.  
Net assets rose from £21m to £31.7m, or 42p a share. Mr Derek Coombs, chairman, who founded the company in 1971 with Mr Nicholas Siviter, managing director, said yesterday that the board was projecting an increase in net assets to £47m next year, through £7m in 1989-90, to £10m three years from now.  
At the end of the run, this would produce net assets per share of over £13. Hardanger was quoted in the market at about 700p yesterday, a large premium on historic asset

value, whereas other companies in the developer/trader class have fallen back to a discount this year as interest rates have moved against them and their perceived exposure to floating rate debt.  
Mr Michael Cunnane of Panmure Gordon, brokers to the company, commented last night that Hardanger's projections for 1989-91 were merely extending its past performance: net assets per share growth of 50 per cent per annum compound over the past six years.  
Mr Coombs and Mr Siviter have effective control of the company with 40 per cent of the shares registered at last count. Mr Coombs said there was no question of the company being open to a bid, or of either of the founders selling his shares. Neither, he said, did

Hardanger intend to use its premium market rating to bid for any other company.  
Hardanger intended to "continue aggressively" in prime retail development, Mr Coombs said. "The notable strengthening of the balance sheet in recent years is a continuing priority and a significantly larger proportion of our developments will be retained."  
Work had started on site at the company's Mulberry Tree Centre, 20-unit retail development in Stratford-upon-Avon.  
Profits are not expected to rise at the same rate as net assets over the period of the forecast, but they are expected to improve consistently enough to support a policy of increasing annual dividends.  
The final dividend for 1987-88 is raised to 15p, making a total of 22.5p, up 50 per cent.

This announcement appears as a matter of record only

Lessee

## BP International Limited

Lease Financing of

## BP Chemicals Limited

Linear Low Density Polyethylene Plant, Grangemouth

Lessor

A Subsidiary of

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The undersigned initiated, structured and arranged this transaction

## BP Finance International

## IBOS Finance Limited

(PART OF THE NWS GROUP)

September 1988

صكنا من العمل

UK COMPANY NEWS

Minehunter contract with Saudi Arabia will provide up to five years' work

Vosper Thornycroft falls but prospects good

By Ray Bashford

VOSPER THORNYCROFT, whose prospects as a shipbuilder improved sharply earlier this month when it signed a £300m contract with Saudi Arabia, incurred a decline in pre-tax profits during the six months to October 2. The Southampton-based group returned a pre-tax profit of £4.3m compared with £7.9m in the six months to September 27, 1987, which included an exceptional item of £2.7m. Vosper, formerly part of British Shipbuilders before floating on the market in March, made the £2.7m provision last year to cover expected difficulties which were negated by a large Royal Navy contract. County NatWest, a participant in the placement of just under 26 per cent of the equity, yesterday sold about one-third of its holding. The venture capital arm of County NatWest and Wren Investments each took up 14.9 per cent stakes in the Vosper float. The 5 per cent stake



Peter Usher: "It is going to be a good year for us"

The remainder of the order book is filled with the Royal Navy contract for the construction of four Sandown class vessels.

Mr Usher said that one-third of pre-tax profits and turnover was derived from non-shipbuilding activities, including computerised land and sea naval equipment.

The company is negotiating the acquisition of bolt-on companies to strengthen this end of the group activities, following the purchase of a controlling interest in JB Microsystems.

COMMENT

These results were in line with expectations and give rise to little excitement. However, after consideration of Vosper's prospects enthusiasm for the future could be justified. The Saudi contract provides the company with a solid order book until 1995 with the full

force of the benefits likely to come to account in 1993-94. During the intervening years, there should be a progressive strengthening in returns from this contract as well as the contract with the Royal Navy. The company is increasing capital expenditure by £3.5m and is taking on between 200-300 people to accommodate the contracts. This should throw off course the company's intention of boosting non-shipbuilding activities to the point where they represent 50 per cent of turnover and pre-tax profits. Non-core acquisitions are under negotiation with the purchase of a publicly listed group a possibility, despite external reservations on the grounds that Vosper should continue doing what it does best: build warships. Forecasts on pre-tax profits for the full year average out at £3.7m, plus the share on a prospective p/e of 8.9 - reasonable given that the results will not reflect the benefits of the Saudi deal.

Bassett advances 14% to £2.4m and sees more growth

By Lisa Wood

BASSETT FOODS, the Liqueurice Allsorts manufacturer which recently bought Jamesons Chocolates, yesterday reported a pre-tax profit of £2.4m for the 26 weeks to October 14, a 14 per cent increase on the corresponding period last year. The results were in line with market forecasts and the group's share price closed unchanged at 286p.



Earnings per share were 13.04p (11.70p) and the interim dividend was lifted 6 per cent to 2.2p (2.07p).

Mr "Bev" Stokes, chairman and chief executive of Bassett, said the group had continued to trade solidly and the satisfactory performance of each subsidiary should continue into the second half of the year.

Group sales, at £49.5m compared with £44.5m last year, included £1.6m from Frisia, a Dutch manufacturer of marshmallows acquired this year. Bassett's trading profits were £3.03m (£2.52m).

Anglo Bellamy Wilkinson, which produces much of Bassett's children's sweets, contributed £398,000 to trading profits, slightly down on last year. There were problems with Middle East sales of sugar confectionery sourced from ABW. There had also been disruption at the plant where a new factory is being built to manufacture Nerds, already distributed by Bassett, under license from Summark of the US. However Mr Stokes said that the plant had done well.

He said that Geo. Bassett had performed well with UK sales of Liqueurice Allsorts increasing by 19 per cent and Ernest Jackson, which makes medicated sweets, was improving, with the benefits of site

improvements and capital investment already evident.

While sales volumes through Bassett Foods International - which handles exports - were slightly down, Mr Stokes said the group was investing in the European market.

Fam, the Dutch subsidiary, continued to perform well.

COMMENT

Bassett, with around 11 per cent of the UK sugar confectionery market, is emerging as a tidy business with a much improved profit performance. Subsidiaries are responding to demands for them to be more profit-conscious while the strategy of relaunching popular key brands such as Liqueurice Allsorts is keeping volumes moving in a static marketplace. New brands such as Nerds, which Bassett will start manufacturing in March, should be winners. Exports are still more problematic but operations are coming around. Analysts expect some dilution from Jamesons and are forecasting pre-tax profits of £4.7m for the full year, giving a prospective p/e of 11.7.

Next sells Eurocamp holiday side to managers for £32m

By Maggie Urry

NEXT, the high street retailing group, is selling Eurocamp Travel, its holiday business, to a management buy-out for a total of £31.8m. Eurocamp was acquired in June last year as part of the purchase of Combined English Stores.

The company has made a number of sales recently following a decision to concentrate on its core businesses and to raise cash to reduce its level of debt.

It has sold its Salisbury and Zales chains to Eatners and Next asked the management to match the other buyer's price and timing. As part of the purchase price Next is taking a £5m loan note.

Barclays Development Capital has arranged the buy-out, underwriting £15m of capital. A further £15m of mezzanine finance has been underwritten by Barclays de Zoete Wedd, the securities house, and £1, the small business finance group. The price consists of £25.5m for the business and £6.5m as the repayment of inter-company debt.

Eurocamp, which also trades under the names Sunsites and Carefree, provides camping and caravan holidays, mainly in France, for self-drive holiday makers.

This summer it sold holidays to 160,000 people and sales were £30m. This was a rise on the previous summer. In the year ended January 1988 the holiday division of Next made an operating profit of £2.5m and had net assets of £3.8m.

Next is also selling Tinsway, a villa holiday company, to its founder for a nominal amount.

Simon expands with £5m purchase in Australia

By Clay Harris

SIMON ENGINEERING, diversified process plant contractor, is to pay A\$9.75m (£4.63m) in cash for the access business and related property of Abbey Equipment of Australia.

The acquisition will increase Simon's global sales of access equipment to about £120m, more than one-fifth of the group total. Simon, which

already manufactures access equipment in the UK, Ireland and the US, plans to use Australia as a base for expansion into south-east Asia.

Abbey is the leading Australian maker of truck-mounted hydraulic access platforms. Many of its products feature insulated booms, which allow work to be undertaken on live power lines.

TR hires Phoenix Secs as adviser

By Nikki Tait

TOUCHE REMNANT, privately-owned fund management group, has confirmed that it had asked Phoenix Securities, the Morgan Grenfell subsidiary, to advise on its shareholding structure.

In the past, Touche has been owned solely by the investment trusts which it manages. A number of these, however, have been victims of corporate activity recently and earlier

this summer TR brought in Liberty Mutual, a US insurance company, as the first external shareholder with 15 per cent.

Since then, TR Industrial and General - the largest TR-managed trust and, historically, the biggest single shareholder in Touche Remnant itself - has been subject to a £500m successful bid from the British Coal Pension Funds.

Irish Wire bids for Questel

By David Waller

IRISH WIRE Products, acquisitive household products group, yesterday announced its largest deal since taking on a new lease of life 16 months ago under the impetus of Mr Dennis Jones, finance director of Hazelwood Foods.

It has launched an agreed £11.6m bid for Questel, telecommunications equipment supplier. Victory is secure as shareholders with 58 per cent of the equity have committed themselves to accepting the offer.

At the same time, the Liber-

ty-based company reported pre-tax profits up from £2593,000 to £11.58m (£1.28m) in the six months to September 30, and earnings per share up from 5.6p to 8.4p. Sales jumped from £2.9m to £13.01m.

An interim of 1.5p is declared - the first payout since 1979 - and the company has forecast 4p for the full year.

Irish Wire said that the rationale for the acquisition was to take the company into telecommunications, the growth of which could be stimulated by

cash generated from the company's existing interests in household and industrial products and printing and packaging.

In 1987, Questel made pre-tax profits of £1.42m on turnover of £4.5m. The terms of the offer are one new Irish Wire share for each Questel share, involving a 32 per cent increase in the Irish company's equity.

Irish Wire is also proposing to buy Reprocentre Group, a supplier of printing materials and equipment, for an initial payment of £7.05m.

Wassall makes agreed bid for Hille

By Philip Coggan

WASSALL, a mini-computer being built-up by former Hanson executives, yesterday made its second acquisition in the office furniture sector with an agreed £7.9m offer for Hille Ergonom.

The purchase of Hille, which imports and manufactures

desks and chairs, follows the earlier acquisition of Everant, an office seating group.

The terms of the offer are one Wassall share for every three in Hille. Based on Wassall's closing price of 210p, that values each Hille share at 70p. There is a cash alternative of

72p per share, and a loan note alternative, up to a maximum of £4.25m, at 75p per share.

Hille's pre-tax profits fell from £962,000 in the year to March 31, 1988 to £704,000 the following year. Last year, pre-tax profits were £705,000.

SVENSKA HANDELSBANKEN GROUP

Triple A bank in the UK

Advertisement for Svenska Handelsbanken Group featuring financial products like 'Revolving Multi-Currency Loan Facility', 'London & Cambridge Properties Limited', 'PROPERTY LENDING TRUST PLC', and 'Leisure Investments PLC'. Includes contact information for Noel Meredith, Philip Moss, David Raine at Svenska House, 3-5 Newgate Street, London EC1A 7DA.

UK COMPANY NEWS

Second half volume growth helps Kwik Save rise 18% to £55.18m

By Andrew Hill

KWIK SAVE Group, the food retailer which claims to sell branded products at a 5 to 10 per cent discount to the cheapest supermarkets, increased pre-tax profits by 18 per cent to £55.18m in the year to August 27, compared with £46.61m last year.

area of 6,000 sq ft. Capital expenditure declined from £23.8m to £25.5m in the period, with spending on property coming down from £20.1m to £13.7m, because of increased demand for building work and consequent delays in starting new projects.

The group said it eventually aimed to open 100 new stores within the M25 ring, where it currently operates 18 stores and is under-represented compared with the major chains.

Spending on plant and equipment declined to £12.2m (£13.5m), although this included £1m for scanning equipment, which reads bar codes automatically.

Mr Ian Howe, chairman, said scanning would allow the company greater flexibility in the choice of products which could be offered in individual stores, although he added that Kwik Save did not intend to move away from its traditional policy of stocking a limited assortment of products.



Ian Howe - retaining traditional retailing policy.

Rental income during the year increased to £9m (£7.6m) but Mr Howe said this was more than offset by the impact of rent increases. Kwik Save is continuing to buy freehold properties in an attempt to reduce the adverse effects of rising rents.

COMMENT

Last year's industrial dispute disrupted Kwik Save's interim figures, and the full-year results were slightly flattened by comparison with the 1986-87 results. That said, volume growth in the second half was extremely creditable, especially when set against other retailers' difficulties, and has apparently continued in the first half of 1988-89. The policy of stocking small High Street stores with a limited range of the most popular products continues to pay off. However, new investors will be more likely to look at Dairy Farm's likely intentions before buying Kwik Save shares, which rose 3p to 360p yesterday. If one believes a bid at the original tender price of 450p a share will be tabled next April then they are clearly good value. Otherwise, based on forecasts of about 266m for 1988-89, the shares look somewhat expensive on a prospective multiple of about 13.

Porter Chadburn trebles to £1.73m midterm

By Fiona Thompson

PORTER CHADBURN, consumer products and distribution company, yesterday reported almost trebled half year profits. The pre-tax advance from £581,000 to £1.73m for the six months to September 30 1988 was made on turnover up 59 per cent at £27.7m (£17.4m). Earnings per share rose from 1.33p to 3.5p and an interim dividend of 0.6p (0.25p) is declared.

Since chairman and chief executive Mr Ray Dinkin took over 18 months ago the group has established three divisions - specialist distribution, manufacturing and packaging, and consumer products.

There are two companies in the specialist distribution division. IDH, distributing furnishing fabrics, and GPT, distributing finishing equipment for the garment and textile industries. On the consumer products side Tasso distributes sports equipment and leisure products, and El-Line distributes fishing tackle.

The two companies in the manufacturing and packaging division are PC Plastics, maker of bags and flame retardant covers, and PC Engineering, specialising in vending machines, power transmission and lifting equipment, brewery equipment, and water treatment products.

"Organic growth in our existing businesses was excellent," said Mr Dinkin, and the LHM and El-Line businesses acquired earlier this year performed well. Because of the timing of some of the purchases, full contributions would only be seen in the second half, so these first half figures "are not likely to be indicative of the full year performance," he said.

The engineering and plastics companies, both of which had problems last year, were recovering strongly, he said. "The group will continue to look for acquisitions, but we won't be paying silly prices. Our organic growth is so strong that we've become more stringent about acquisitions."

Institutional shareholders back Aurora board over ANI offer

By Ray Bashford

THE TWO biggest institutional shareholders in Aurora, Sheffield-based engineering company, have given their board their backing as shots continue to fly in the takeover fight with Australian National Industries (ANI), which together hold 22.9 per cent of the capital, have expressed their support as the board has again rejected the offer from Australia's biggest engineering group.

ANI has 41 per cent of Aurora, having earlier this month acquired a 19 per cent stake from Electra, formerly the largest institutional holder. The offer, 148.5p per share,

valued the company at £198.1m and was rejected principally because Aurora claimed it failed to recognise the company's present and future worth.

The Australian company, in reply, said that it was offering a fair price and had taken into consideration a forecast of a 40 per cent improvement in annual pre-tax profits before making the offer.

ANI has been barred from buying further shares until next Tuesday by Takeover Panel rules. However, there is the possibility that ANI will enter the market if the shares are available at below the offer price to lift the holding above 50 per cent.

Aurora shares have traded below the offer price since the bid was announced and yesterday closed up at 146p.

M&G and SI are unlikely to remain as minority shareholders if ANI moves into the market to boost its holding above 50 per cent, leaving the way open for the company to mop up outstanding holdings.

In rejecting the offer Sir John Hill, Aurora chairman, said: "ANI are trying to persuade shareholders that Aurora's potential is not there; if that is the case, why is ANI so anxious to acquire the company?"

TMD Advertising turns in 38% rise to £1.22m

TMD Advertising Holdings lifted turnover 31 per cent and pre-tax profit 35 per cent in 1988/87, in what Mr David Reich, chairman, said was a very special year.

Mr Reich said growth came organically from existing clients as well as some considerable new business gains. Horizons Media Group (49 per cent owned) and the wholly owned TMD Manchester made small contributions, and he was

looking to the first full year of their involvement, in 1989. This specialist media group, quoted on the USM, made turnover of £67m (£51m) and pre-tax profit of £1.22m (£885,000) in the year ended August 31 1988. Earnings were 13.7p (10.2p) and the dividend is raised to 3p (2.4p).

Mr Reich said the current year had started well. In the period the Vershon Group had been acquired.

Blue Circle links with Swiss group

By Andrew Taylor

BLUE CIRCLE, Britain's biggest cement manufacturer, has merged its calcium carbonate fillers and additives business with Croxton & Garry, a subsidiary of Pilma-Stauffer of Switzerland.

Pilma-Stauffer is one of the world's largest manufacturers of calcium carbonate additives, which are used in the manufacture of paper, plastic and paint.

The joint venture will be owned equally by Blue Circle and Pilma-Stauffer and is forecast to have joint sales approaching £50m in 1988. The two companies earned combined profits of about £2.5m in 1987.

• Birmid Quiccast, now a Rime Circle subsidiary, raised its stake in Ransomes Sims & Jefferies, another lawnmower maker, to 9.33 per cent. Mr Robert Dodsworth, RSI chief executive, described the stake as unwelcome and said: "We do not see it as an advantage to belong to a cement manufacturer."

Chemoxo rises to £0.5m

CHEMOXY International, Teesside-based processor of specialty chemicals, more than doubled pre-tax profits from £37,000 to £54,000 in the six months to the end of September.

Turnover was up 71 per cent at £5.88m (£3.31m) and, after an increased tax charge of £180,000 (£83,000), earnings per 10p share were also more than doubled at 11.5p (£5.9p). There is no extraordinary profit this time. There is no extraordinary profit this time. Last year's interim result included an extraordinary profit after expenses of £194,000. The interim dividend is raised to 2.6p (1.95p).

Mr Andrew Reynolds, said that the results derived from a general increase in demand for the company's contract chemical manufacturing services, earlier investment in new plant and better margins. All these factors were helped by the strength of the chemical sector. He added that business was continuing at a high level in the second half.

London Securities ahead

LONDON Securities, property and venture capital group, unveiled a 79 per cent expansion to £225,000 in taxable profits for the six months to September 30.

Directors said the main contribution to the improvement resulted from the disposal of

the group's shareholding in Merchant Manufacturing Estate Company.

Earnings per 15p share rose to 1.5p (1.2p). Directors said they hoped to be able to recommend a larger dividend for the year. Last year, the group paid a single dividend of 0.5p.

Rolfe & Nolan advances to £350,000

Profits of Rolfe & Nolan Computer Services improved from £225,000 to £350,000 pre-tax for the half year ended August 31. Turnover moved ahead to £1.93m compared with £1.47m.

Earnings amounted to 8.1p (5.3p) and the interim dividend is being lifted to 2.1p (1.5p). The company's shares are traded on the USM.

Northern American NAV rises to 474.4p

Northern American Trust reported net asset value higher at 474.4p at October 31. This compared with the 445.1p reported a year earlier.

Net revenue for the year to the end of October was £2.39m (£1.88m) and earnings per share worked through at 5.96p (£4.96p). The directors are proposing a final dividend of 4.55p (4p) for a total for the year of 6.25p (5.4p).

Mountview Estates 36% up at £6.4m

First-half profits from Mountview Estates, property dealing group, rose nearly 36 per cent, but the current six months cannot be expected to show the same rate of increase.

In the period to September 30 1988 turnover increased 52 per cent to £8.16m and the pre-tax profit came through at £6.42m (£4.73m).

Earnings were 90.2p (62.9p) and the interim dividend is doubled to 2p to reduce disparity with the final - 7.5p last time.

The directors said since September the rise in interest rates and limitations on mortgage relief had undoubtedly slowed down the rate of increase in house prices and reduced the speed with which sales were being completed.

Union Square hits £1.84m

Union Square, residential and commercial estate agent and consultant quoted on the ICSM, increased its turnover from £1.46m to £7.62m for the six months ended September 30 and for the period saw its profit surge from £648,000 to £1.84m.

Mr David Thompson, chairman, said an important contribution to group earnings came from the commercial estate agency activities of Anthony Green and Spencer, a company acquired earlier this year. Half year earnings pushed ahead to 2p (0.85p) and the interim dividend is being stepped up from 0.3125p to 0.4p.

Rugby £34m Australian buy

By Andrew Taylor, Construction Correspondent

RUGBY GROUP, the British cement company which has been steadily diversifying into other building materials is poised to increase its Australian interests by purchasing Stegbar, timber and aluminium windows and doors group, for A\$72m (£34m).

Rugby said yesterday that agreement had been reached for the purchase from ACI (International), subsidiary of BTR Nylax. The deal, payable in cash, is

subject to approval by the Australian Foreign Investment Review Board.

Rugby, which increased pre-tax profits by 43 per cent to £31.5m in the six months to the end of June, already owns cement and joinery interests in Australia. In July it bought Baltic Industries, a small manufacturer of wooden doors, for A\$3.8m.

Mr Andrew Teare, Rugby's managing director, said Stegbar was Australia's leading

manufacturer of quality timber windows. It also commanded a substantial share of the aluminium window and door market, as well as owning Australia's largest built-in wardrobe and showercabinet business.

Stegbar, which has 10 manufacturing plants and 88 shops and showrooms, would have contributed pre-tax profits of £5.5m and sales of A\$100m. It had been owned by Rugby for the whole of this year, said Mr Teare.

Wyndham advances to £0.5m

WYNDHAM GROUP, Cardiff-based engineering, property, motor distribution and financial services group, yesterday unveiled taxable profits sharply higher at £501,000 for the six months to end-September.

The advance from £225,000 was posted on turnover up £3.1m to £12.75m. Mr Brian

Brownhill, chairman, said that the group's BMW and Honda franchises accounted for a "substantial" proportion of turnover.

Wyndham has revealed that it has acquired a 5.04 per cent stake in fellow motor dealer William Jacks. Mr Brownhill said that the group regarded the stake as "an investment"

and would be willing to increase it.

A hostile bid for Jacks would be impossible since it is 87 per cent owned by Johan Holdings, the Malaysian group. However, Mr Brownhill said he might be interested in a takeover if Johan wanted to sell its stake. The interim dividend is lifted to 1.5p (1p).

SW Resources loss

Southwest Resources made turnover of £1.42m in the half year ended September 30 1988, against £2m last time, and loss before tax was £389,000 (profit £282,000). Loss per share 0.75p (earnings 0.54p).

MONTHLY AVERAGES OF STOCK INDICES

Table with columns for Nov, Oct, Sept, Aug and rows for Financial Times, Government Securities, Fixed Interest, Ordinary, Gold Mines, SEAQ Bergains, FT-Actives, Industrial Group, 500 Share, Financial Group, All-Share, FT-SE 100. Includes Nov. High and Nov. Low sub-table.

Downturn for ICD

INTERNATIONAL Communication and Data, a restructured Third Market company formerly known as Publishing Holdings, returned profits of £20,000 pre-tax for the half year ended August 31.

That compared with a restated £225,000 for the corresponding period of the previous year.

An extraordinary item of £666,000, relating to profit on

the disposal of various trading divisions less the cost of cessation of those divisions, left the company with a profit of £685,000 (£197,000).

During the half year ICD totally withdrew from traditional publishing with the disposal of its financial magazines and newsletters.

The company finished the 1987-88 year with a bottom line loss of £560,000.

BOM losses little changed

Reorganised BOM Holdings, formerly Bristol Oil & Minerals, incurred pre-tax losses of £514,000 for the six months ended July 31. Little changed on last time's £507,000.

During the period the retailing business was reorganised into two distinct trading divisions, Just Leather and Roselodge Kitchens. The directors said the costs

of the reorganisation had affected the results but they were confident that the measures taken would enhance profits.

Profits and write-offs which arose from continued rationalisation of the "old BOM" problems and which amounted to £186,000 were taken below the line as an extraordinary item.

HPC progresses

HPC Group, maker of polythene film products and distributor of protective clothing, increased pre-tax profits by 10 per cent, from £366,000 to £401,000 in the half year ended September 30 1988.

The results are the first since flotation on the USM in May. The interim dividend is 1p, as promised.

Turnover rose 55 per cent to £4.5m. A significant proportion came from the first time inclusion of Maurice Wade, acquired in February.

Rowlinson soars

Rowlinson Securities, property investment, development and building construction concern, saw pre-tax profits leap from £941,000 to £1.63m in the six months to the end of September.

The substantial rise in profits was mainly due to property trading, the company said. Turnover trebled to £9.54m (£2.91m) and, after tax of £569,000 (£294,000), earnings per 10p share advanced to 2.49p (2.34p). The interim dividend is lifted to 0.24p (0.22p).

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD

Table with columns for FTSE 100, WALL STREET, Dec. 1465/1474 -2, Dec. 1801/1811 -1, Dec. 2100/2112 +6, Mar. 1476/1485 -5, Mar. 1818/1828 N/C, Mar. 2120/2132 +6

PUBLIC WORKS LOAN BOARD RATES

Table with columns for Term, Rate, and rows for 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 15 up to 25, 25

\*N-cs-quotas loans B are 1 per cent higher in each case than non-quotas loans A. \*Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). ‡ With half-yearly payments of interest only.

TSB CI profits rise to £7.3m

TSB Channel Islands, the USM-quoted banking, financial and related services concern, raised pre-tax profits by 20 per cent from £6.06m to £7.3m for the year ended October 31 1988.

Total income grew 23 per cent to £13.44m, including a surplus on disposal of investments of £1.38m (£964,000). The tax charge was £2.11m (£1.38m) and earnings per share advanced from 16.4p to 19.58p.

Advance to customers rose by 78 per cent to £77.8m and investment in commercial lending services was now producing the anticipated growth.

Mortgage advances grew by 72 per cent and treasury deposits doubled.

This announcement appears as a matter of record only. November 1988

MERION MERION PROPERTY DEVELOPMENT GROUP £8,000,000 Financing Facilities arranged by CORPORATE FINANCE CONSULTANTS LIMITED

REFURBISHMENT

The Financial Times proposes to publish this survey on: 10th January 1989 For a full editorial synopsis and advertisement details, please contact: Penny Scott on 01-248 5000 ext 3389 or write to her at: Bracken House 10 Cannon Street London EC4P 4BY

Gulf Canada Resources Limited

U.S. \$375,000,000 Note Issuance Facility Noteholders are hereby notified that the applicable Rate of Interest and the Interest Amount in relation to the Interest Period 2nd December 1988 to 2nd February 1989 is as follows: 1. Rate of Interest: 8 1/4% 2. Interest Amount per US\$500,000 Note: US\$7,985.28 The Interest Payment Date will be 2nd February 1989 Reference Agent Bank of America International Limited

MANAGEMENT: Marketing and Advertising

Legislation has radically changed the UK building society market in the past two years. While defending their traditional mortgage business, the societies have joined battle with other financial institutions over a widening range of services from credit cards to current accounts, from insurance to estate agencies.



Comedians Hugh Laurie (left) and Stephen Fry: raising awareness of Alliance and Leicester

Rewarding image for building societies

Philip Rawstone reports on marketing successes in the recently liberalised and increasingly competitive UK financial sector

The Alliance and Leicester estimates that the campaign has been responsible for 23 per cent additional net receipts. That alone means that the campaign has already almost paid for itself, with the prospect of generating more profits over the next two years.

The Alliance and Leicester estimates that the campaign has been responsible for 23 per cent additional net receipts. That alone means that the campaign has already almost paid for itself, with the prospect of generating more profits over the next two years.

But if the Alliance and Leicester campaign has made one of the bigger splashes in the market, the awards recognised that some of the smaller fish in the industry are proving equally adept at dealing with the competitive pressures.

So in January 1987, the Skipton joined with the Scottish Widows life assurance company, to launch the capital growth plan. National and local press advertising, by Gillett & Bevan, a Manchester agency, focused on the 20.3 per cent average growth achieved by the Scottish Widows fund in the previous five years.

Telemarketing was used to follow up inquiries that had not resulted in investment. Marketing manager, Tim Hughes, says: "The general response to the calls was positive and we increased the number of bonds taken up by about 10 per cent."

Leisure Towards a homely lifestyle

David Churchill on a forecast for the industry

The leisure consumer in the 1990s will spend more money on sports, holidays abroad, and pursuing an upmarket "lifestyle" image within the home rather than spending more time and money on traditional leisure activities such as gambling, and visits to the pub and the cinema.



The degree to which interests are centred on the home "reflects consumers' dissatisfaction with the quality of away-from-home leisure venues," adds Henley. "Consumers have consequently voted with their feet to carry out many such activities at home."

ZANDERS Zanders International Finance B.V. Amsterdam, The Netherlands DM 100,000,000 6 1/2% Bonds of 1988, due 1998 unconditionally and irrevocably guaranteed by Zanders Feinpapiere Aktiengesellschaft

THE FINANCIAL TIMES PROUDLY PRESENTS... THE CALENDAR OF THE YEAR Since our first diary was launched in 1973, the FT has acquired an unrivalled reputation within the international business community for designing high quality products which combine efficiency, wit, and style.

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COMMODITIES AND AGRICULTURE

French traders report Ivorian cocoa deal

SUCRES et Denrees, the French trade house, has bought 400,000 tonnes of Ivorian cocoa as part of a deal between Abidjan and the French Government to cut the Ivory Coast's excess cocoa surplus, French traders said, Benoit reports from Paris.

believe that large a purchase would have been made by one company," said another. Under the deal, some 200,000 tonnes will be stored in Europe, 100,000 tonnes will be sold to the Soviet Union and other Eastern European nations and the rest will gradually be released onto the market, according to French traders.

Norwegian oil field starts up

NORSK HYDRO'S Oseberg field, one of Norway's largest oil deposits, commences production today at a rate of about 100,000 barrels a day. Plateau production of 240,000 b/d should be reached in three to four months, increasing Norway's total oil production by more than 20 per cent.

Algeria accepts reality on gas pricing

ALGERIA HAS decided to accept the commercial reality of today's natural gas market after several years of sticking to a high price strategy, even at the expense of losing markets.

revised exports to the US, at competitive prices; re-opened the world's first commercial LNG trade, between Algeria and the UK, with spot cargoes this winter; concluded its first-ever sale to Japan.

Until these issues are settled, no discussions can be held on renewing contracts, the first of which expires in 1981.

2.5bn will determine whether Gaz de France is still paying a premium. Greater pressure than ever before is being brought to bear on Sonatrach to settle once and for all this long running dispute.

making it more difficult than usual for Sonatrach to gauge the going rate for gas exports to France.

Moscow worried at rising agricultural insolvencies

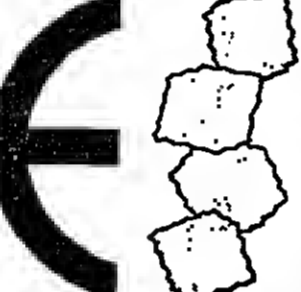
MORE THAN 200 major Soviet agricultural enterprises, including state farms and collective and food processing plants, have been declared insolvent in the past year, under the new stringent financial policy being adopted by the Soviet authorities.

are common across the country. "Lack of turnover, bad management, squandering of resources."

The sweet and sour of Europe's sugar regime

Tim Dickson examines the dilemmas posed by an apallingy complicated price support policy

VIEWED FROM Brussels, the EC's sugar regime arguably represents one of the bright spots in the continuing saga of Common Agricultural Policy reform.



could soon follow. Rather like a mouthwatering sweet which turns out to have a disappointingly sour centre, the EC's sugar policy is not nearly as cheap to operate as at first it appears.

The main cost to the Community budget is accounted for by export subsidies - or "restitutions" - paid to bridge the often yawning gap between the high guaranteed internal EC sugar price and the lower world market price.

budget arises from the obligation to import 1.3m tonnes of sugar a year from the African, Caribbean and Pacific countries associated with the EC under the Lomé Convention.

ities for selling are likely to be taken but market managers will be anxious not to do anything to disrupt the relatively firm level of prices.

LONDON MARKETS

Table with columns for Commodity, Price, and Change. Includes COFFEE, SPOXY MARKETS, and WOOD.

COFFEE

Table with columns for Coffee type, Price, and Change. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LONDON METAL EXCHANGE

Table with columns for Metal, Price, and Change. Includes Aluminium, Copper, Lead, Nickel, Zinc.

POTATOES

Table with columns for Potato type, Price, and Change. Includes Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOYABEAN MEAL

Table with columns for Soyabean meal type, Price, and Change. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOYABEAN MEAL

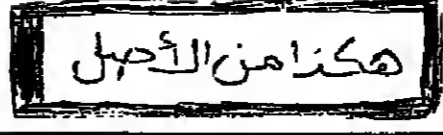
Table with columns for Soyabean meal type, Price, and Change. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOYABEAN MEAL

Table with columns for Soyabean meal type, Price, and Change. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

SOYABEAN MEAL

Table with columns for Soyabean meal type, Price, and Change. Includes Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.



Share prices extend their recovery

THE DETERMINED defence of his interest rate strategy by Mr Nigel Lawson, the UK Chancellor of the Exchequer, did not discourage a renewed technical rally in UK equities yesterday. Despite another gain by the pound, share prices opened higher, featured by a further recovery in property shares which have suffered in the wake of the rise in UK base rates to 15 per cent.

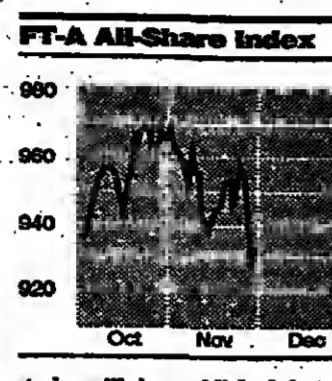
The advance in property shares also owed something to technical factors. The sector fell sharply on Friday but has attracted significant takeover interest in the wake of the £1.3bn bid for Hammerson from Rodamco of Holland.

Street in early deals, and by comments from the Federal Reserve Board on slower growth in the US economy. The next two days bring a lengthy list of data on the US economy, featured by Friday's announcement of the latest employment trends.

signalled disapproval of market tactics at rival houses by quoting Bank Organisation shares without any spread between buy and sell prices. This house claims that the UK market system "did not work" during Friday's sudden setback when the authorities were obliged to announce "fast market" conditions on two occasions when traders claimed inability to change screen prices fast enough.

Cable moves on Rentals

Cable & Wireless (C & W), the telecommunications group, provided one of the day's major developments by launching a market raid on Telephone Rentals (TR) just one week before its £285m offer for TR closes.



The raid, operated by Cazenove brokers, to C & W, netted some 22m TR shares, pushing the C & W stake from just over 2 per cent to 25.5 per cent. Following this move, the market believes that the bid cannot be as good as over - "Cazenove found little difficulty in picking up the 22m odd shares in the market and they need only a further 22 per cent to win control," one dealer said.

Lorho theatre

Lorho accepted a more subdued role yesterday, although the element of theatre was maintained. An eager early audience was ready for another compelling act in the drama, but hopes were dashed when Messrs Bond and Rowland chose to wait in the wings.

British Steel issue

Despite the continuing recovery in the equity market, traders sounded increasingly nervous on prospects for the British Steel issue, which will commence trading on Monday afternoon following Friday's deadline for share applications.

Fisons debate

Fisons fell 4 to 247p in turnover of 1.2m. The analysts at Robert Fleming have recently undertaken a major study of the pharmaceutical company and have been reiterating their judgment that the risk profile on the shares is too high for comfort, despite their observation that "the shares are not grossly over-valued".

Assets exchanged

The exchange of assets between building products and supplier Norcross and Meyer International drew approval from the City with share prices of both groups strongly supported.

NEW HIGHS AND LOWS FOR 1988

- NEW HIGHS 1988: BHP (1) 450p, British Steel (1) 400p, etc. NEW LOWS 1988: Anglo-Continental (1) 10p, etc.

FINANCIAL TIMES STOCK INDICES

Table with columns for Nov, Year, High, Low, and Since Computation. Rows include Government Secs, Fixed Interest, Ordinary, and Gold Mines.

S.E. ACTIVITY

Table with columns for Nov, 29, Nov, 30. Rows include Gilt Edged Bargains, Equity Bargains, and Equity Value.

TRADING VOLUME IN MAJOR STOCKS

Table with columns for Stock, Value, and Change. Lists various stocks like BHP, Anglo-Continental, etc.

APPOINTMENTS

Beazer deputy chairman

Mr John Matthews is to become deputy chairman and chief executive of BEAZER, the building and aggregates group, writes Philip Ogden.

Top posts at Gallaher

Mr A.D. Househam will be appointed chairman and chief executive of GALLAHER from February 1 when Mr S.G. Cameron retires. Mr P.M. Wilson will be appointed deputy chairman. Mr

International Distillers and Vintners

Mr Richard J. Hollinghurst, has been appointed director of brewing at Mortlake, Brick Lane, Halifax, and Trowbridge. He is production site director at Halifax. Mr Ian Kirkhope becomes director of production services, responsible for logistics planning, bottling and canning production and primary distribution as managing director of Brewliners. Dr J.P. Murray is made director of research and technical services. He was brewing services director for the Brewing Research Foundation at Northfield, Surrey. Dr Keith Turck has been appointed IDV technical advisor.

CATER ALLEN

has appointed Mr E.E.R. Jewson as a director with responsibility for the commercial paper business. He was assistant to the directors, and is succeeded by Mr M.J. Peters, who was a manager.



This announcement appears as a matter of record only. BHP The Broken Hill Proprietary Company Limited

Advertisement for BHP The Broken Hill Proprietary Company Limited, featuring a large map and text about an international secondary offer of 70,408,223 Ordinary Shares of A\$1.00 each.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-625-2128

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abstract Management Ltd, and others, with columns for name, type, and price.

Table listing unit trusts including Balfour Beatty & Co Ltd, Bank of Ireland, Barclays, and others, with columns for name, type, and price.

Table listing unit trusts including Canada Life, Capital House, and others, with columns for name, type, and price.

Table listing unit trusts including Fidelity Investments, Henderson, and others, with columns for name, type, and price.

Table listing unit trusts including M & S Securities, and others, with columns for name, type, and price.

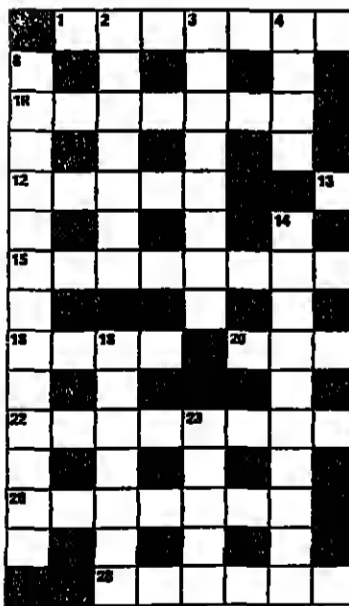
Table listing unit trusts including Royal Bank of Canada, and others, with columns for name, type, and price.

Table listing unit trusts including Royal London, and others, with columns for name, type, and price.

Table listing unit trusts including Standard Life, and others, with columns for name, type, and price.

CROSSWORD

No. 6,800 Set by CINEPHILE



statistics are still worse

- 1 Spoil French invalid before punishment by beast from Seville (3,5)
2 Cue (for example) in trouble relating to breeding (7)
3 Pictorial superimposition on label kept by compiler (7)
4 Worker overheard again set fire to back (5)
5 Bit of mast, but hence fruit is included (5,3)
6 16 Turn Hutter off hotel out of devils (3,3,2,2)
7 Boat on river stern (4)
8 Sort of vault - to bowl long-hops (11)
9 Twenty cows wildly rushed about (9)
10 Scous, maybe, to do with colour? (5)
11 Put-up job for such a marvellous newspaperman? (4,3)
12 Love travels, maybe from Seville (7)
13 Sum up peculiar Tate exhibition (12)
14 statistics are still worse (6,4)
15 Eard-bitten person might be followed by 'ammer, one might say (5)
16 21 Does it run on imaginary lines? (5,2,7)
17 (4) Pessimistic good wish for national cream? (4,2,7)
18 Turn where the sign is, having started badly (4,2,3,4)
19 Cine for cup, possibly: a little billiards? (1,7,2)
20 See dance, not plain at billiards (4,4)
21 21 Grub out anything worthy of a Muses? (4,3,7)
22 25 Volume portraying young heart in charge of politician (5,4)

Solution to Puzzle No.6,799
ACROSS
1 SPILL
2 CUE
3 PICTURE
4 SCOUS
5 MAST
6 HOTTEN
7 BOAT
8 VAULT
9 COWS
10 SCOUS
11 PUT-UP
12 LOVE
13 SUM
14 STATISTICS
15 EARD-BITTEN
16 21
17 4
18 TURN
19 CINE
20 GRUB
21 21
22 25

DOWN
1 SPILL
2 CUE
3 PICTURE
4 SCOUS
5 MAST
6 HOTTEN
7 BOAT
8 VAULT
9 COWS
10 SCOUS
11 PUT-UP
12 LOVE
13 SUM
14 STATISTICS
15 EARD-BITTEN
16 21
17 4
18 TURN
19 CINE
20 GRUB
21 21
22 25

Dimensional Unit Trust

Table listing Dimensional Unit Trusts with columns for name, type, and price.

Discretionary Unit Trust

Table listing Discretionary Unit Trusts with columns for name, type, and price.

Drummond Fund

Table listing Drummond Fund Unit Trusts with columns for name, type, and price.

Dunelm Unit Trust

Table listing Dunelm Unit Trusts with columns for name, type, and price.

Eagle Star Unit Trust

Table listing Eagle Star Unit Trusts with columns for name, type, and price.

Equity & Law Unit Trust

Table listing Equity & Law Unit Trusts with columns for name, type, and price.

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However, the bid price might be moved to the cancellation price in circumstances where there is a large volume of orders over the offer price.

REDEMPTION PRICES

The time shown alongside the fund manager's name is the time at which the unit trust's daily dealing price is normally set, unless another time is indicated by the fund manager. The individual unit trust code, the symbols are as follows: P - 0900 to 1100 hours; A - 1101 to 1300 hours; B - 1301 to 1500 hours; C - 1501 to 1700 hours; D - 1701 to 1900 hours.

REDEMPTION PRICES

The letter 'D' denotes that prices are set on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio realisation or a switch to a forward pricing basis.

FORWARDS

The letter 'F' denotes that prices are set on a forward basis so that investors can be given a definite price in advance of the purchase or sale being carried out. The prices appearing in the reverse column are the prices at which deals were carried out yesterday.

OTHER EXPLANATORY NOTES

Other explanatory notes are contained in the last column of the FT Unit Trust Information Service.

UNIT TRUSTS

UNIT TRUSTS
UNIT TRUSTS
UNIT TRUSTS



FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for company name, unit price, and other financial details. Includes sub-sections for 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information, organized by company name and fund type. Columns include company name, fund name, and numerical values representing prices or ratios.

Table listing various unit trusts under the heading 'OFFSHORE AND OVERSEAS'. It includes details for companies like 'The Analysis Group PLC' and 'Blackburne Finance Ltd'.

Table listing various unit trusts under the heading 'UK LISTED'. It includes details for companies like 'Aetna International Ltd' and 'Aetna International (UK) Ltd'.

Table listing various unit trusts under the heading 'OFFSHORE INSURANCES'. It includes details for companies like 'Allied Dunbar International Fund Mgrs' and 'Allied Dunbar International Fund Mgrs Ltd'.

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Table with multiple columns listing various unit trusts, their managers, and performance metrics. Includes sections for 'OTHER OFFSHORE FUNDS' and 'UNIT TRUSTS'.

Table containing 'BRITISH FUNDS', 'BRITISH FUNDS - Contd', and 'FOREIGN BONDS & RAILS'. Includes sub-sections for 'CORPORATION LOANS', 'COMMONWEALTH & AFRICAN LOANS', and 'LOANS'.

Table containing 'LONDON SHARE SERVICE' with columns for 'High Low', 'Stock', 'Price', 'Yield', and 'Div'. Includes a section for 'AMERICANS'.

UNIT TRUSTS
Prices are in pence unless otherwise stated. All prices are as at 12.00 noon on the day of publication. All prices are subject to change without notice.

MONEY MARKET TRUST FUNDS
MONEY MARKET BANK ACCOUNTS
UNIT TRUSTS
Prices are in pence unless otherwise stated. All prices are as at 12.00 noon on the day of publication. All prices are subject to change without notice.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2129

AMERICANS - Contd

Table listing American companies such as American Express, American International Group, and American Light Tower, with columns for share price, change, and volume.

BUILDING, TIMBER, ROADS - Contd

Table listing companies in the building, timber, and roads sectors, including Bovis Lend Lease and Bovis Lend Lease Construction.

ELECTRICALS

Table listing electrical companies such as British Telecommunications and British Telecom.

ENGINEERING - Contd

Table listing engineering companies including British Aerospace and British Aerospace PLC.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial companies such as British Petroleum and British Petroleum PLC.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial companies, including British Petroleum and British Petroleum PLC.

CANADIANS

Table listing Canadian companies such as Alcan and Alcan Ltd.

BANKS, HP & LEASING

Table listing banks and hire purchase/leasing companies like Abbey National and Abbey National PLC.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies such as ICI and ICI PLC.

FOOD, GROCERIES, ETC

Table listing food and grocery companies including Unilever and Unilever PLC.

DRAPERY AND STORES

Table listing drapery and store companies like Debenhams and Debenhams PLC.

INSURANCES

Table listing insurance companies such as British American Insurance and British American Insurance PLC.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies like Carlsberg and Carlsberg PLC.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies, including Bovis Lend Lease.

ENGINEERING

Table listing engineering companies, including British Aerospace.

HOTELS AND CATERERS

Table listing hotels and caterers companies like Whitbread and Whitbread PLC.

INDUSTRIALS (Misc.)

Table listing various industrial companies.

LEISURE

Table listing leisure companies such as British Skyways and British Skyways PLC.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies.

ENGINEERING

Table listing engineering companies.

INDUSTRIALS (Misc.)

Table listing various industrial companies.

INDUSTRIALS (Misc.)

Table listing various industrial companies.

INDUSTRIALS (Misc.)

Table listing various industrial companies.

INDUSTRIALS (Misc.)

Table listing various industrial companies.

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Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LONDON SHARE SERVICE

LEISURE - Contd

Table of share prices for Leisure sector including companies like British Skyways, British Airways, and others.

PROPERTY

Table of share prices for Property sector including companies like British Land, Hammam, and others.

TEXTILES - Contd

Table of share prices for Textiles sector including companies like British Textiles, and others.

TOBACCO

Table of share prices for Tobacco sector including companies like British American Tobacco.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land sectors.

TRUSTS, FINANCE, LAND - Contd

Continuation of share prices for Trusts, Finance, and Land sectors.

OIL AND GAS - Contd

Table of share prices for Oil and Gas sector including companies like BP, Shell, and others.

MINES - Contd

Table of share prices for Mines sector including companies like Anglo American, De Beers, and others.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors and Aircraft Trades sector.

Commercial Vehicles

Table of share prices for Commercial Vehicles sector.

Components

Table of share prices for Components sector.

Garages and Distributors

Table of share prices for Garages and Distributors sector.

NEWSPAPERS, PUBLISHERS

Table of share prices for Newspapers and Publishers sector.

PAPER, PRINTING, ADVERTISING

Table of share prices for Paper, Printing, and Advertising sector.

SHIPPING

Table of share prices for Shipping sector.

SHOES AND LEATHER

Table of share prices for Shoes and Leather sector.

SOUTH AFRICANS

Table of share prices for South African companies.

TEXTILES

Table of share prices for Textiles sector.

OIL AND GAS

Table of share prices for Oil and Gas sector.

OVERSEAS TRADERS

Table of share prices for Overseas Traders sector.

PLANTATIONS

Table of share prices for Plantations sector.

MINES

Table of share prices for Mines sector.

Far West Rand

Table of share prices for Far West Rand sector.

O.F.S.

Table of share prices for O.F.S. sector.

Diamond and Platinum

Table of share prices for Diamond and Platinum sector.

Central African

Table of share prices for Central African sector.

Finance

Table of share prices for Finance sector.

Miscellaneous

Table of share prices for Miscellaneous sector.

THIRD MARKET

Table of share prices for Third Market sector.

NOTES

Stock Exchange dealing classifications are indicated to the right of security names; Alpha, Beta, Gamma, Delta, Epsilon, and F.

REGIONAL & IRISH STOCKS

Table of share prices for Regional and Irish Stocks.

TRADITIONAL OPTIONS

Table of share prices for Traditional Options.

A selection of Options traded is given on the London Stock Exchange Report Page.

Contd. SURE

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound rises above DM3.21

SELLING OF sterling by the Bank of England was seen again in London yesterday, but it failed to prevent the pound rising to its highest level against the D-Mark since mid-August.

Sterling rose to DM3.2125 from DM3.2000, with dealers suggesting that the Bank of England's intervention was modest, and seemed aimed at smoothing, rather than halting, the rise.

Further comments on the UK economy by Mr Nigel Lawson, the Chancellor, before a Treasury and Civil Service Select Committee, underlined the Government's priority in fighting inflation, but appeared to add nothing new to policy, and came too late to have any direct impact on the London market.

High UK interest rates, and the Government's commitment to keep rates at such levels until inflationary pressures ease, also pushed the pound up to SF2.6900 from SF2.6775, to Y25.50 from Y25.00, and to FF10.975 from FF10.9250.

Sterling's exchange rate index, on Bank of England figures rose 0.3 to 78.3. The dollar was also strong, resulting in a fall of 20 points to \$1.8505 in the pound's value against the US currency.

The dollar began to fall back in late trading however, after

the Federal Reserve suggested the pace of economic growth is slowing. This acted as a dampening influence on speculation that the Fed is about to increase its discount rate.

Friday's figures on November US employment trends will be looked at for further guidance on whether the dollar continues on its upward path.

The market expects an unchanged unemployment rate of 5.3 p.c., and the median forecast for the rise in non-farm payrolls is around 250,000, compared with 323,000 in October.

If the employment figures remain strong it will support the dollar, by renewing speculation about a rise in the discount rate, but a weak figure is likely to result in renewed downward pressure on the currency, according to dealers.

Mr Alan Cane, chairman of the Federal Reserve Board, was asked yesterday about a possible rise in the discount rate, but declined to comment.

At the close in London the

dollar had advanced to Y121.90 from Y121.45 and to DM1.7350 from DM1.7270. It fell back from DM1.7350 to DM1.7270 after failing to break through technical resistance at Y122.20 and DM1.7400.

The dollar also rose to SF1.4530 from SF1.4450, and to FF5.9325 from FF5.8975.

According to the Bank of England the dollar's exchange rate index rose to 82.6 from 82.3.

The Canadian dollar remained strong, with the US dollar falling to C\$1.1885 from C\$1.1945. It shrugged off news of a slowdown in Canadian economic growth, and was supported by a fall in the balance of payments deficit to C\$2bn in the third quarter, from \$2.39bn in the second.

The rate of growth in Canadian gross domestic product was 0.2 p.c. in September, against 0.6 p.c. in August, and the growth rate in the third quarter was an annualised 2.8 p.c., compared with 4.0 p.c. in the second.

FINANCIAL FUTURES

Prices fall in thin trading

TRADING VOLUME fell away in LIFFE trading yesterday, reflecting current uncertainty over the outlook on UK interest rates. Despite sterling's firmer trend, three-month short sterling futures were undermined by a rise in cash rates and concern that bank base rates may be increased again.

The mood of uncertainty was reflected in the LIFFE US TREASURY FUTURE FUTURES. Short sterling futures were undermined by a rise in cash rates and concern that bank base rates may be increased again.

closed on a firmer note, with sentiment helped by a report from the US Federal Reserve Board, which suggested that the US economy is not growing as strongly as many analysts think. This relieved upward pressure on cash rates and allowed the December contract to move up to 89-01 from an opening level of 87-31, and compared with 87-25 on Tuesday.

Long gilt futures were less affected by the bearish tone, but came off opening highs, to finish unchanged on the day.

US Treasury bond futures

LIFFE US TREASURY FUTURE FUTURES. Short sterling futures were undermined by a rise in cash rates and concern that bank base rates may be increased again.

LIFFE US TREASURY FUTURE FUTURES. Short sterling futures were undermined by a rise in cash rates and concern that bank base rates may be increased again.

LIFFE US TREASURY FUTURE FUTURES. Short sterling futures were undermined by a rise in cash rates and concern that bank base rates may be increased again.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Bid, Ask, Last, and various dates (Dec 88, Jan 89, Feb 89). Includes sub-sections for LIFFE US TREASURY, LIFFE EURO, LIFFE STERLING, and LIFFE INDEX.

£ IN NEW YORK

Table with columns for Month, Bid, Ask, Last, and Previous. Shows exchange rates for Dec 30 and Dec 29.

STERLING INDEX

Table with columns for Month, Bid, Ask, Last, and Previous. Shows Sterling Index values for Dec 30 and Dec 29.

CURRENCY RATES

Table with columns for Currency, Bid, Ask, Last, and Previous. Lists rates for Sterling, US Dollar, Canadian Dollar, etc.

CURRENCY MOVEMENTS

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows percentage changes for various currencies.

OTHER CURRENCIES

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows rates for Australian Dollar, Hong Kong Dollar, etc.

MONEY MARKETS

Firmer trend

UK RATES edged up slightly in London yesterday, mainly on technical adjustments ahead of the month end.

The Bank of England raised the key three-month interbank rate was quoted at 13 1/4-13 1/2 p.c. Dealers suggested that roll-over activity in the periods helped rates to maintain the firmer edge already established, after comments by Mr Nigel Lawson, the UK Chancellor, who stressed that bank base rates would be kept at a high level in order to control inflation.

The Bank of England found a shortage of around £1,400m, which was later

UK clearing bank base lending rate 13 per cent from November 23

revised to £1,500m and then to £1,450m. Factors affecting the market included repayment of late assistance and a take up of Treasury bills, together with bills maturing in official hands, draining £1,050m.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows EMS rates for Dec 30 and Dec 29.

POUND SPOT-FORWARD AGAINST THE POUND

Table with columns for Month, Bid, Ask, Last, and Previous. Shows pound spot and forward rates.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns for Month, Bid, Ask, Last, and Previous. Shows dollar spot and forward rates.

EURO-CURRENCY INTEREST RATES

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows interest rates for Euro-currency.

EXCHANGE CROSS RATES

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows cross rates for various currencies.

FT LONDON INTERBANK FIXING

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows interbank fixing rates.

MONEY RATES

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows money rates for various currencies.

LONDON MONEY RATES

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows London money rates.

LONDON (LIFFE)

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows LIFFE rates for Dec 30 and Dec 29.

CHICAGO

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows Chicago rates for Dec 30 and Dec 29.

US TREASURY BILLS (DMM)

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows US Treasury bills rates.

THREE-MONTH EURO-DOLLAR (DMM)

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows three-month Euro-dollar rates.

THREE-MONTH STERLING (DMM)

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows three-month sterling rates.

THREE-MONTH EURO-DOLLAR (DMM)

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows three-month Euro-dollar rates.

THREE-MONTH STERLING (DMM)

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows three-month sterling rates.

THREE-MONTH EURO-DOLLAR (DMM)

Table with columns for Currency, Bid, Ask, Last, and Previous. Shows three-month Euro-dollar rates.

TOTAL VOLUME IN CONTRACTS: 23,409

BASE LENDING RATES

Table with columns for Bank, Bid, Ask, Last, and Previous. Shows base lending rates for various banks.

DSL Bank advertisement. Includes text: 'DSL Bank Notice To the holders of the A\$50,000,000 13% Notes Due 1990 of DSL Bank Deutsche Siedlungs- und Landesrentenbank'. Also includes 'Notice of Intended Substitution of Debtor' and 'Availability of Documents'.

Handwritten signature or mark at the bottom of the page.

WORLD STOCK MARKETS

Table with columns for country (Austria, France, Germany, Italy, Sweden, Switzerland, South Africa), date (November 30), and stock prices. Includes sub-sections for 'NEW YORK' and 'CANADA'.

Table with columns for country (Japan, Australia, Hong Kong, Singapore, New Zealand, South Africa), date (November 30), and stock prices.

Table with columns for country (Australia, Canada, New Zealand, South Africa), date (November 30), and stock prices.

Table with columns for country (Australia, Canada, New Zealand, South Africa), date (November 30), and stock prices.

Table with columns for country (Australia, Canada, New Zealand, South Africa), date (November 30), and stock prices.

Table with columns for country (Japan, Australia, Hong Kong, Singapore, New Zealand, South Africa), date (November 30), and stock prices.

Table with columns for country (Japan, Australia, Hong Kong, Singapore, New Zealand, South Africa), date (November 30), and stock prices.

Table with columns for country (Japan, Australia, Hong Kong, Singapore, New Zealand, South Africa), date (November 30), and stock prices.

Table with columns for country (Japan, Australia, Hong Kong, Singapore, New Zealand, South Africa), date (November 30), and stock prices.

Table with columns for country (Japan, Australia, Hong Kong, Singapore, New Zealand, South Africa), date (November 30), and stock prices.

Table titled 'TORONTO 2pm prices November 30' showing Canadian stock prices for various companies like Alcan, Inco, and others.

Table titled 'NEW YORK DOW JONES' showing the Dow Jones Industrial Average and other market indices.

Table titled 'CANADA' showing Canadian stock prices for various companies like Alcan, Inco, and others.

Table titled 'INDICES' showing various international stock indices and their values.

Table titled 'NEW YORK ACTIVE STOCKS' showing a list of active stocks in New York with their prices and changes.

Table titled 'TOKYO - Most Active Stocks' showing a list of active stocks in Tokyo with their prices and changes.

Table titled 'CANADA' showing Canadian stock prices for various companies like Alcan, Inco, and others.

Table titled 'NEW YORK ACTIVE STOCKS' showing a list of active stocks in New York with their prices and changes.

Advertisement for 'Have your F.T. hand delivered' in Athens and Oslo, featuring the Financial Times logo and contact information for Hellenic Distribution Agency and Oslo (02) 684020.

3pm prices November 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month	High	Low	Stock	Div. Yield	% Chg	Close	Open	12 Month	High	Low	Stock	Div. Yield	% Chg	Close	Open	12 Month	High	Low	Stock	Div. Yield	% Chg	Close	Open	12 Month	High	Low	Stock	Div. Yield	% Chg	Close	Open
37.4	1.17	1.17	AAI			1.17	1.17	37.4	1.17	1.17	AAI			1.17	1.17	37.4	1.17	1.17	AAI			1.17	1.17	37.4	1.17	1.17	AAI			1.17	1.17
10.4	1.17	1.17	ACI			1.17	1.17	10.4	1.17	1.17	ACI			1.17	1.17	10.4	1.17	1.17	ACI			1.17	1.17	10.4	1.17	1.17	ACI			1.17	1.17
10.4	1.17	1.17	ACM			1.17	1.17	10.4	1.17	1.17	ACM			1.17	1.17	10.4	1.17	1.17	ACM			1.17	1.17	10.4	1.17	1.17	ACM			1.17	1.17
10.4	1.17	1.17	ACN			1.17	1.17	10.4	1.17	1.17	ACN			1.17	1.17	10.4	1.17	1.17	ACN			1.17	1.17	10.4	1.17	1.17	ACN			1.17	1.17
10.4	1.17	1.17	ACD			1.17	1.17	10.4	1.17	1.17	ACD			1.17	1.17	10.4	1.17	1.17	ACD			1.17	1.17	10.4	1.17	1.17	ACD			1.17	1.17
10.4	1.17	1.17	ACE			1.17	1.17	10.4	1.17	1.17	ACE			1.17	1.17	10.4	1.17	1.17	ACE			1.17	1.17	10.4	1.17	1.17	ACE			1.17	1.17
10.4	1.17	1.17	ACF			1.17	1.17	10.4	1.17	1.17	ACF			1.17	1.17	10.4	1.17	1.17	ACF			1.17	1.17	10.4	1.17	1.17	ACF			1.17	1.17
10.4	1.17	1.17	ACG			1.17	1.17	10.4	1.17	1.17	ACG			1.17	1.17	10.4	1.17	1.17	ACG			1.17	1.17	10.4	1.17	1.17	ACG			1.17	1.17
10.4	1.17	1.17	ACH			1.17	1.17	10.4	1.17	1.17	ACH			1.17	1.17	10.4	1.17	1.17	ACH			1.17	1.17	10.4	1.17	1.17	ACH			1.17	1.17
10.4	1.17	1.17	ACI			1.17	1.17	10.4	1.17	1.17	ACI			1.17	1.17	10.4	1.17	1.17	ACI			1.17	1.17	10.4	1.17	1.17	ACI			1.17	1.17
10.4	1.17	1.17	ACJ			1.17	1.17	10.4	1.17	1.17	ACJ			1.17	1.17	10.4	1.17	1.17	ACJ			1.17	1.17	10.4	1.17	1.17	ACJ			1.17	1.17
10.4	1.17	1.17	ACK			1.17	1.17	10.4	1.17	1.17	ACK			1.17	1.17	10.4	1.17	1.17	ACK			1.17	1.17	10.4	1.17	1.17	ACK			1.17	1.17
10.4	1.17	1.17	ACL			1.17	1.17	10.4	1.17	1.17	ACL			1.17	1.17	10.4	1.17	1.17	ACL			1.17	1.17	10.4	1.17	1.17	ACL			1.17	1.17
10.4	1.17	1.17	ACM			1.17	1.17	10.4	1.17	1.17	ACM			1.17	1.17	10.4	1.17	1.17	ACM			1.17	1.17	10.4	1.17	1.17	ACM			1.17	1.17
10.4	1.17	1.17	ACN			1.17	1.17	10.4	1.17	1.17	ACN			1.17	1.17	10.4	1.17	1.17	ACN			1.17	1.17	10.4	1.17	1.17	ACN			1.17	1.17
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10.4	1.17	1.17	ACR			1.17	1.17	10.4	1.17	1.17	ACR			1.17	1.17	10.4	1.17	1.17	ACR			1.17	1.17	10.4	1.17	1.17	ACR			1.17	1.17
10.4	1.17	1.17	ACS			1.17	1.17	10.4	1.17	1.17	ACS			1.17	1.17	10.4	1.17	1.17	ACS			1.17	1.17	10.4	1.17	1.17	ACS			1.17	1.17
10.4	1.17	1.17	ACT			1.17	1.17	10.4	1.17	1.17	ACT			1.17	1.17	10.4	1.17	1.17	ACT			1.17	1.17	10.4	1.17	1.17	ACT			1.17	1.17
10.4	1.17	1.17	ACU			1.17	1.17	10.4	1.17	1.17	ACU			1.17	1.17	10.4	1.17	1.17	ACU			1.17	1.17	10.4	1.17	1.17	ACU			1.17	1.17
10.4	1.17	1.17	ACV			1.17	1.17	10.4	1.17	1.17	ACV			1.17	1.17	10.4	1.17	1.17	ACV			1.17	1.17	10.4	1.17	1.17	ACV			1.17	1.17
10.4	1.17	1.17	ACW			1.17	1.17	10.4	1.17	1.17	ACW			1.17	1.17	10.4	1.17	1.17	ACW			1.17	1.17	10.4	1.17	1.17	ACW			1.17	1.17
10.4	1.17	1.17	ACX			1.17	1.17	10.4	1.17	1.17	ACX			1.17	1.17	10.4	1.17	1.17	ACX			1.17	1.17	10.4	1.17	1.17	ACX			1.17	1.17
10.4	1.17	1.17	ACY			1.17	1.17	10.4	1.17	1.17	ACY			1.17	1.17	10.4	1.17	1.17	ACY			1.17	1.17	10.4	1.17	1.17	ACY			1.17	1.17
10.4	1.17	1.17	ACZ			1.17	1.17	10.4	1.17	1.17	ACZ			1.17	1.17	10.4	1.17	1.17	ACZ			1.17	1.17	10.4	1.17	1.17	ACZ			1.17	1.17

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NYSE COMPOSITE PRICES

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 30

Table of NYSE Composite Prices listing various stocks with columns for High, Low, and Close prices.

Table of Over-the-Counter prices listing various stocks with columns for High, Low, and Last Close prices.

Dividend data and financial notes for various companies, including dividend amounts and dates.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for High, Low, and Last Close prices.

Table of AMEX Composite Prices listing various stocks with columns for High, Low, and Last Close prices.

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AMERICA

Firm bonds help Dow rise further

Wall Street

QUIET optimism continued to prevail on Wall Street yesterday morning, as equity prices continued this week's winning streak, writes Karen Zagor in New York.

Both equities and bonds were largely unmoved by the release of the October personal income figures, which showed a higher than expected increase of 1.8 per cent.

At 2 pm, the Dow Jones Industrial Average was up 12.98 at 2,961.51. Volumes were modest.

Support for equities came from a moderately stronger bond market, where the Treasury's benchmark long bond improved by 1/4 point to 9 7/8, a price at which it yielded 9.077

per cent. Analysts said the bond market was helped by the fact that the dollar had showed little change overseas and had continued to hold its own in US trading with no obvious help from central banks.

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Seoul rallies as pepper piles grow

Maggie Ford on the link between angry farmers and soaring stocks

THE HOME of South Korea's main opposition leader, Mr Kim Dae Jung, is currently surrounded by barricades of sacks of red peppers, a prime ingredient of kim-che, the national food.

Perched on the piles of peppers are crowds of protesting farmers, demanding that the opposition does something about prices for their produce, which have fallen because of a glut.

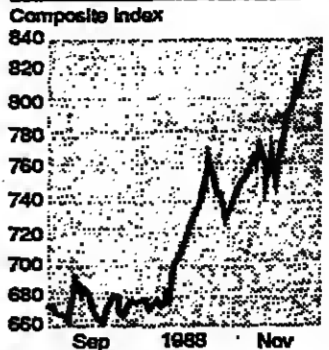
The connection between red peppers and the boom in the Seoul stock market may not be immediately clear to the farmers or, indeed, to investors.

increased market capitalisation to almost \$90bn, well past the Hong Kong market level and approaching that of Taiwan.

The release of the extra liquidity follows a decision by the financial authorities to alter the method of calculating the money supply and to stop issuing monetary stabilisation bonds, which have been used to mop up liquidity.

An easing in the inflation rate - thanks partly to a fall in the cost of food which plays a big role in the consumer price index - helped to spur the increase in the index over the past month.

South Korea



by imposing a new capital gains tax - sent the Taiwan stock market plummeting. Earlier this year, liquidity surged into property speculation in South Korea, provoking a public outcry about rocking house prices.

The present stock market enthusiasm has been helped by the continuing evidence of a strong underlying economy, allaying some investors' fears of a post-Olympic Gsmes slump.

EUROPE

Rumours and results put paid to bourses' languor

CORPORATE news and pockets of speculation enlivened European bourses yesterday, and most ended higher, writes Our Markets Staff.

FRANKFURT woke up from its early-week slumbers as New York's overnight gains and the steady dollar helped shares bound ahead in relatively active trading.

MILAN gained ground in modest trading on the back of firmer overseas markets and receding currency worries.

BRUSSELS was again dominated by heavy trading in Fabrique Nationale and Gechem, the troubled subsidiaries of Société Générale de Belgique.

COPENHAGEN climbed to an all-time high in healthy volumes, helped by a strong bond market and speculative trading.

STOCKHOLM saw share prices and volumes rise as bargain hunters appeared, chased by gains in New York and Tokyo.

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ASIA PACIFIC

Nikkei hits peak as interest rate fears fade

Tokyo

INVESTORS put aside their worries over higher interest rates yesterday and stepped up their buying of equities to push the Nikkei average to another record high, writes Michio Nakamoto, Tokyo.

The Nikkei average, which last posted a new high six trading days ago, made a strong advance to 29,578.90, up 260.60. More issues rose than fell - at 578 and 337 respectively - and 149 issues ended unchanged.

The strong demand sent volume substantially higher, to 1.28bn shares from Tuesday's 1.14bn. The TOPIX index of all listed shares firmed 16.90 to 2,295.75, and the ISE/Nikkei 50 index, which tracks the after-hours performance of 50 Japanese shares traded in London, picked up 3.84 to 1,883.96.

The strong gain in Tokyo on Tuesday and the overnight rise on Wall Street provided some momentum for the Nikkei, but the main factor behind the gain was the receding fear of higher interest rates.

Further, the Japanese monetary authorities largely dispelled the fear that a rise in US rates would lead to an increase in domestic interest rates. The feeling is that any US discount rate increase would be linked to the dollar's weakness.

With interest rate worries therefore put to the side, institutional investors stepped up their activity, focusing on issues with high liquidity such as steels and shipbuilding.

Sumitomo Metal, the day's most active stock with 145m shares dealt, increased ¥13 to ¥786. Nippon Steel, second in volume at 108m shares, added ¥9 to ¥966 and Kawasaki Steel increased ¥40 to ¥1,080.

Among shipbuilding issues, Kawasaki Heavy Industries, third most actively traded, added ¥1m shares, advanced ¥15 to ¥960. Mitsubishi Heavy Industries and Sumitomo Heavy Industries both rose to new highs during the day although they fell back later in heavy volume.

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ation enport fighter for Japan's Self-Defence Force. Large capital issues were featured in Osaka where the OSE average gained 160.78 to 27,546.33.

Roundup

A MIXED day for Asia Pacific markets ended with Australia still hamstrung by the strong local dollar and high interest rates, Hong Kong rising on good property news and Taiwan falling sharply on oil price fears.

AUSTRALIA traded in a 5-point range as the market showed no inclination to break out of its recent doldrums. The strength of the Australian dollar and interest rate concerns kept most buyers at bay, although there was demand for selected takeover stocks.

HONG KONG drew strength from Tokyo's highs and the local property boom to move upwards in good turnover. The Hang Seng index rose 26.62 to 2,659.30 as HK\$1.2bn worth of shares changed hands, almost double Tuesday's volume.

SINGAPORE edged higher in thin trading as light afternoon selling pared early, Wall Street-inspired gains. The Straits Times industrial index rose 3.12 to 1,005.49.

TAIWAN suffered its second largest fall of the year as fears of higher oil prices and worries about international interest rates saw the weighted index plunge 269.05 to 6,614.11.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for REGIONAL MARKETS (US Dollar Index, Day's Change, Pound Sterling Index, Local Currency Index, Gross Div. Yield) and DOLLAR INDEX (1988 High, 1988 Low, Year ago approx). Rows list various countries and regions like Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, Euro-Pacific, North America, Europe Ex-UK, Pacific Ex-Japan, World Ex-US, World Ex-UK, World Ex-Japan.

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Table with columns Year Ended 27th Aug '88 and Year Ended 29th Aug '87. Rows include TURNOVER INCLUDING VAT (974-0, 862-0), PRE-TAX PROFITS (55-2, 46-6), EARNINGS PER SHARE (23-31p, 19-95p).



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# FINANCIAL TIMES SURVEY



As Birmingham prepares to celebrate its centenary year, this one-time workshop of the world is undergoing a radical transformation aimed at turning it into one of Europe's leading business centres. Richard Tomkins, Midlands Correspondent, reports.

## Beyond the Bull Ring

"ARE THEY really knocking down the Bull Ring?" people ask incredulously. It's as though Birmingham itself was being demolished. The shopping centre that was once held up as a piece of pioneering 1960s architecture may now be regarded as an ugly blot on the urban landscape, but it is still the city's best known landmark.

The answer to the question is yes: the Bull Ring is soon to make way for another equally ambitious project called The Galleries, a 250m city centre development by the London & Edinburgh Trust that will include a 25-acre mall with five major stores and 175 other shops.

But the Bull Ring is not the only unsightly monument to post-war architecture now facing the bulldozer. As Birmingham prepares to celebrate the 100th anniversary of its designation as a city, it is caught up in an astonishing spate of redevelopment in which an estimated £1.25bn is being spent. People returning after a long absence are increasingly finding parts of Birmingham changed beyond recognition. The city centre is beset with the tall masts of cranes as new buildings are thrown up to

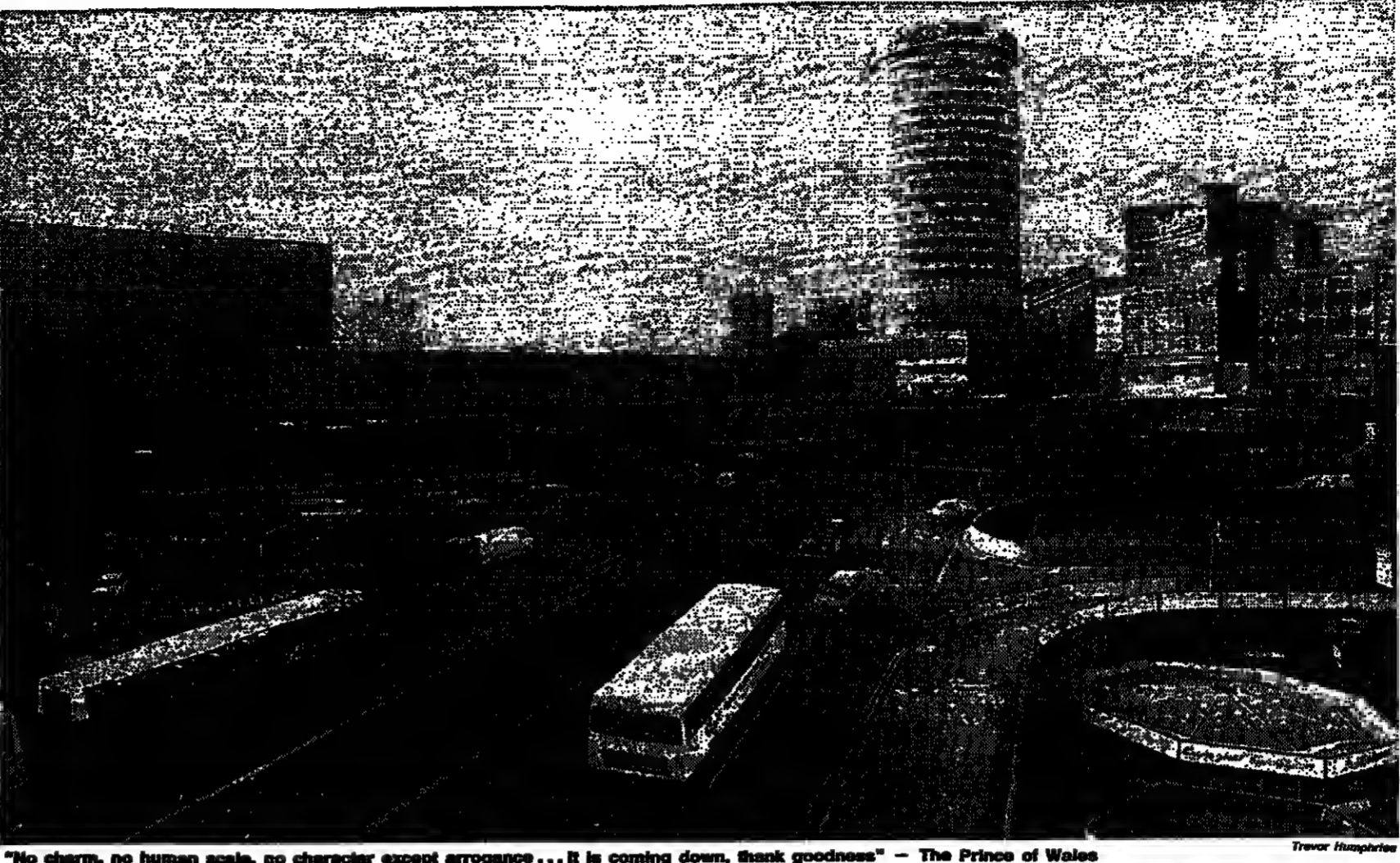
replace the not-so-very-old. One reason for the building boom is the strength of the West Midlands economy. This heavily industrialised region of the country has recently undergone a revival on the back of the strength of the national economy, and Birmingham, as the regional capital, has been the beneficiary.

But a more significant catalyst for the changes now taking place has been Birmingham's determination to regain its international standing through a policy of building up its service sector industries - in particular, business tourism.

Once renowned as the workshop of the world and the capital of Britain's industrial heartland, Birmingham flourished from the early days of the industrial revolution to the late 1960s as customers from around the world beat a path to its factories' doors.

But boom turned to slump in the 1970s as British industry lost its international competitiveness and recession began to bite. The number of jobs in Birmingham fell by nearly 150,000 to 474,000 between 1971 and 1984, with manufacturing by far the worst casualty.

Birmingham was spurred into action in defence of its



"No charm, no human scale, no character except arrogance... It is coming down, thank goodness" - The Prince of Wales

# BIRMINGHAM

reputation and its citizens' jobs by a long-standing tradition of municipal enterprise dating back to Joseph Chamberlain's period as mayor in the 1870s.

Those were the days when a spirit of civic pride - the so-called civic gospel - saw slums cleared, Corporation Street constructed, gas and water services municipalised, and the high death rate cut down. In those days, it is said, Birmingham was the best governed city in the world.

A century later, the same spirit found its expression in a determination to find a new economic base for the city that would reduce its exposure to declining manufacturing industries and take it into the next century as a leading international business city.

The first step, taken in the 1970s, was nothing if not bold - 250m was spent on building Britain's first purpose-built exhibition centre on a greenfield site next to Birmingham

Airport.

Many ridiculed the idea of attracting exhibitions away from London and saw the National Exhibition Centre as an expensive white elephant. But the NEC worked. Opened in 1976, it now attracts most of the international exhibitions held in Britain; it clears a useful profit after debt charges; it is estimated to have produced at least 4,000 jobs; and it has raised Birmingham's national and international profile.

Encouraged by this success, Birmingham has now embarked on a still more ambitious scheme aimed at attracting new investment and jobs. This is the construction of a £121m International Convention Centre in the city centre - again, a UK first.

It is hard to understate the boldness of this venture. With its associated developments, the convention centre - by far Britain's biggest - will cover a vast tract of inner Birmingham.

Were it conceivably to flop, the hole it would leave in Birmingham's heart would be as large as the one in its pocket.

The possibility of failure therefore cannot be allowed. But the city is mindful that if people are to like the convention centre, they will have to like Birmingham, too. It is this thought that underlies much of the current wave of reconstruction.

Birmingham, after all, is not a particularly attractive place and has hitherto suffered from a correspondingly poor image - a fact that was brutally brought home by a report on the quality of life in British cities this year, which found Birmingham the 38th most desirable city in a list of 38.

The wounds were just beginning to heal from that assault when the Prince of Wales reopened them on peak-time television five weeks ago with his lambasting of post-war

architecture, using Birmingham as an example of all that he found so objectionable.

The main reason for the city's lack of charm is that it was extensively redeveloped during the prosperous 1960s, a time when architecture appears to have struck a low and town planning theory advocated the separation of people from cars.

Over-enthusiastic developers tore out much of the city's Victorian heart and replaced it with lumps of featureless concrete. Then around the whole they threw a motorway-style inner ring road less than a mile in diameter that forced pedestrians into dingy and dangerous subways.

In the words of the Prince of Wales: "Because of lack of vision, Birmingham's city centre became a monstrous concrete maze that only cars could find their way through. People did not stand a chance. Cars were placed above people and

people were placed one above the other on concrete shelves.

"The notorious Bull Ring, for example, has no charm, no human scale, no character except arrogance. It is a planned accident. Most of it is coming down, thank goodness. So here is a second chance to put things right. But are they going to take it?"

The Prince left the question hanging, but his instinct had been clearly expressed earlier in the programme when he alluded to the plans for the convention centre as "an unmitigated disaster." On an earlier visit to Birmingham, too, he said the redeveloped Snow Hill station was "awful" and described the planned five-star Hyatt Hotel as resembling "a concrete missile silo."

The Prince is not alone in his views. Mr Joe Holyoak, for example, principle lecturer at the Birmingham School of Architecture, is one outspoken local critic of the Birmingham

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redevelopment mentality.

"The convention centre is typical of the schemes that characterised the 1960s: find a site, scrape it clean, and put an enormous single building on it," he says. Similarly, The Galleries - the planned replacement for the Bull Ring - is "one enormous megastructure dropping out of the sky onto the city centre."

There is little reassurance, either, to be found in one of Birmingham's most recent ventures into modern architecture. If the Copthorne Hotel and its twin office building failed to prompt a haranguing from the Prince of Wales, it can only have been because these two vast black mausoleums beggared his powers of description.

Yet it would be wrong to suggest that the city has learned nothing from its mistakes. Barely a week seems to pass without the announcement of another planning conference, a symposium on city centre redevelopment, a competition for the redesign of key sites.

If it is yet too early for these efforts to have borne much fruit, they at least demonstrate an awareness of the potential pitfalls of redevelopment; and the least that can be said of what is going up is that most of it is less bad than what is coming down.

Perhaps a slightly more intractable obstacle to Birmingham's efforts to improve its image is the popular notion that it is a city of a thousand trades and very little else. Culture is not a concept with which the word Birmingham is often regarded as synonymous.

Here again, the city is tackling the problem with moves such as the creation of the annual Birmingham Jazz Festival, the construction of a world class concert hall as part of the convention centre, and plans to give the city character by dividing it into Parisian-style quarters such as a Chinese quarter and a media quarter.

Today, it still seems fanciful to imagine Birmingham will one day be a city of international standing, ranked alongside Frankfurt, Barcelona and Milan. In truth, it probably never will.

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Birmingham celebrates 100 years as a City in superb shape for the next century. As a measure of the growing optimism, five major developments now in progress alone mean commercial and industrial investment of £1½ billion.

**INCENTIVES**

**FINANCIAL**

**RECREATIONAL**

**COMMERCIAL**

**CASTRONOMICAL**

Commercial rents in Birmingham are around half those in the South East. There is no shortage of space ready and waiting. And half a million square feet of new offices are now under construction.

Nowhere spends more on economic development than the City of Birmingham or provides such an excellent all-round package of business support, from help with recruitment and training to direct access to government grants.

For the first time in fifty years, the European Figure Skating Championship will be held in Britain - at the NEC. In 1989 Birmingham will host many events of such stature, showing the City is proud of the past, celebrating the present and confident of the future.

Britain's biggest jazz festival, the Royal International Horse Show, the only street motor race in Britain, the U.K. Motorshow and a major film and television festival are a few of Birmingham's international attractions.

Haute cuisine à la Birmingham? Yes indeed. And a variety that will leave you speechless, but replete, whatever your taste - from Latin American to Austrian, Cantonese to Thai and, of course, the very best in traditional English fare.

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Birmingham

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BIRMINGHAM 2

Business tourism, finance and retailing are creating ...

# A different industrial base

COAL, IRON and limestone were the basis for Birmingham's evolution into Britain's second biggest city, but its future prosperity is being built on more intangible foundations.

Business tourism, financial services and retailing are the raw materials with which the city's new industries are working.

Although only 100 years old as a city next month, Birmingham as a settlement dates back to medieval times. Its famous Bull Ring has been a trading centre since Peter de Birmingham, lord of the manor, obtained the first grant of a market charter in 1166.

Cloth and leather making were also important local industries in the middle ages, but by the 16th century, the availability of coal, iron and limestone in the nearby Black Country had led to the development of metal-based trades such as nailmaking, edge-tool production and goldsmithing.

Significantly, however, Birmingham was to become more than just a metal-bashing town. As the focal point of the surrounding industrial heartland, Birmingham became a finishing centre and marketing outlet for basic metal goods from the surrounding area, a place where the available natural resources were complemented with a spirit of entrepreneurship and innovation.

The guns, huckles, buttons and brassware of the 17th century developed into increasingly complex metal goods, and the 18th century brought the beginning of an era of rapid expansion as the domestic and overseas markets for Birmingham's engineering skills expanded. As the industrial revolution gathered pace, Matthew Boulton, James Watt and William Murdoch set up their great manufactory in Soho and Birmingham became the workshop of the world.

Prosperity on the back of this manufacturing base continued almost uninterrupted until well after the Second World War, but boom turned to slump in the 1970s when British industry was hit by the combination of a slowdown in domestic demand and the loss of its international competitiveness.

In the past, the diversity of Birmingham's manufacturing industry had helped it ride out

recessions, but this time it was badly hit. Partly this was because it had allowed itself to become too heavily dependent on a small number of mature industries - in particular the motor industry and automotive component manufacturing.

A linked explanation lies in the government's post-war regional policy which consistently favoured investment in the less prosperous parts of the country at the expense of the (then) relatively well-off West Midlands. This hindered the natural self-regeneration of

businesses in Birmingham, leaving it top-heavy with the old and infirm. Birmingham, however, must share the blame for this. Even in the depths of the recession there was a widespread refusal in the city to accept that a large chunk of its manufacturing industry was in terminal decline, and stubborn pride prevented it from pressing the Government to change its regional policy.

As Mr Graham Shaylor, the city council's director of development, recalls: "The general mood was not to require government assistance because it

been to build up its under-represented service sector by turning the city into an international business centre and attracting large-scale business tourism.

The first expression of this policy came in 1976 with the opening of the National Exhibition Centre. It is now being pursued with the planned doubling in size of the NEC and the opening of the International Convention Centre in 1991.

This policy has already had a marked effect on the city centre, prompting a construction boom as hotels, shops and

offices spring up to serve the growing number of visitors. The financial services industry, too, has been encouraged by the mood of optimism and the strength of the West Midlands recovery to adopt Birmingham as a major provincial base.

The effects on Birmingham's employment structure have been striking. Latest estimates from the city council suggest that service sector employment had grown from 277,000 in 1971 to 316,000 last year while manufacturing employment plummeted from 304,000 to 159,000.

Yet Birmingham is still the manufacturing centre of the UK, employing more people in factories than Manchester and Sheffield combined, and companies such as Austin Rover,

IMI, Lucas Industries, GKN, Jaguar and Cadbury Schweppes still employ thousands of workers apiece within the city boundary.

Partly because of the improvement in the national economic climate and partly through the recent strength of the UK motor industry, manufacturers in Birmingham are once again prospering. Significantly, Austin Rover recently announced that it was taking on another 600 manual workers at its Longbridge plant - something many people in Birmingham thought they would never see again.

Unemployment nevertheless remains a serious problem in the city. Some 11.3 per cent of people in the travel-to-work area and 15.2 per cent of people within the city boundary are unemployed, far above both regional and national averages.

One recurrent criticism of Birmingham's industrial strategy is that many of the jobs being created by the service sector are poorly paid and go to part-timers, school-leavers and women returning to the workforce, so doing little to alleviate long-term unemployment among former factory workers and the city's large ethnic minority population.

Another worry is that much of the manufacturing industry that remains looks as vulnerable to the next economic downturn as it did to the last. According to Mr Geoffrey Edge, chairman of the West Midlands Enterprise Board, manufacturing industry in the area is seriously deficient in the provision of training, adoption of new technology, quality of management and product innovation.

"We need massive investment in all these areas. The emphasis on services is doing nothing to address these problems," he says.

New, high technology industries have been coming to the city, but not in sufficient numbers to staunch the haemorrhage of manufacturing jobs. In the three years to 1987, the service sector grew by 5.1 per cent but another 1.6 per cent of manufacturing jobs were lost.

Birmingham may therefore need to make further calls on its powers of innovation and entrepreneurship if unemployment is to be radically cut.

Richard Tomkins

	1971	1975	1978	1981	1984	1987#
Manufacturing	303,971	281,818	247,480	191,181	161,570	159,000
Services	276,920	338,932	386,264	453,543	528,238	515,000
Total	579,891	620,750	633,744	644,724	689,808	674,000

Source: 1971-84 Department of Employment, 1987 Birmingham City Council.  
# Estimates - All employment categories

## The city was allowed to become too dependent on a small number of mature industries

was believed that investors would not be interested in coming to an area that was in need of government aid.

Birmingham eventually swallowed its pride when it found that disqualification from UK government help was automatically disqualifying it from valuable European Community funding. But by the time it had won assisted area status in 1984, it was already too late; no less than 150,000 of the city's 620,000 jobs had disappeared, virtually all of them from manufacturing.

But not all these job losses represented companies going out of business. In the drive to increase productivity to internationally competitive levels, many companies not only demanded higher levels of out-

## SOCIAL TRENDS

# Deprivation amid plenty

THE CITY of Birmingham is justifiably proud of its achievement in regenerating its local economy. It also knows that it faces severe difficulties in spreading the benefits of the success throughout the community.

The problem was highlighted in a recent report, Faith In The City of Birmingham, based on the findings of a commission set up by the Bishop of Birmingham's council. This found that amid the sea of plenty, evident in the business community and in the extraordinary level of building activity around the city centre, there continued to persist an "unacceptable level of deprivation."

The report concluded: "The division into separate, often adjacent areas of comfortable and deprived areas of Birmingham

must provoke profound questions about our City and our individual lives."

Department of Employment statistics point up the disparities. They show that, though the unemployment rate for Birmingham as a whole is about 15 per cent, the rate on a ward-by-ward basis varies from 6.5 per cent at Sutton Coldfield to nearly 30 per cent at Sparkbrook.

The lack of adequate provision of housing represents a second major area of deprivation in Birmingham. The Bishop's commission found that "in spite of massive clearance and redevelopment programmes in the last 30 years, 1986 about a quarter of the city's 400,000 dwellings were either unfit for habitation or

Continued on next page



Scenes of deprivation: Birmingham's Handsworth district

## POLITICS

# Council split

BIRMINGHAM enters its centenary year with an embarrassing split on its council. On the face of it, the ruling Labour group has a clear majority with 57 of the 117 seats, but 20 Labour councillors of the Broad Left are undermining the leadership's authority by defying it on crucial votes.

The overt source of the rebel 20's grievance is the leadership's proposal to close a council-run children's home in Bognor Regis. But at root they are protesting at their inability to influence the Labour group's rightwing policies.

Birmingham electors are moderate folk as likely to return a Conservative council as a Labour one. Over the last 20 years or so they let the two main parties take turns at running the city.

Similarly there has often been little to choose between the parties. A long-standing tradition of municipal enterprise has united them in supporting big pioneering projects such as the National Exhibition Centre, the Olympic bid, the Birmingham Super Prix and the International Convention Centre.

Richard Tomkins

Left-wingers oppose these projects on the grounds that essential services are being cut to fund them. Up till now, they have been gagged by the might of the old guard on Labour's right. But some unexpected successes in last May's elections have given them the courage to seek a bigger say in how the council is run.

Councillor Dick Knowles, the Labour veteran who heads the group, has bluntly refused to give in to them and the ensuing rancour has developed into a vicious row that culminated last month in the launch of an inquiry into Birmingham's Labour group by the party's National Executive.

It will probably be well into the New Year before the outcome is known. Meanwhile Cllr Knowles is under immense pressure to defuse the row by stepping aside in favour of a more conciliatory leader. The carrot being extended to him is the offer of the mayoralty during the high-profile centenary year. He has, thus far, been extremely unwilling to bite.

Richard Tomkins

## Population trends

# Urban slide

IF YOU want to live long, live somewhere other than Birmingham. The city has a mortality rate a full 8 per cent above the national average even after discounting demographic factors. In other words, the chances of dying there at any given age are 8 per cent higher.

Mostly this reflects the same factors present in other metropolitan areas: above-average concentrations of poverty and social deprivation, a high incidence of industrial disease, and poor health, hygiene and diet.

But exceptionally high death rates in some of the ethnic minority communities also lift the city's average. About 15 per cent of the population belong to families headed by someone born in the New Commonwealth or Pakistan, and parts of the Asian community suffer death rates (albeit gradually declining ones) some three or four times the national average.

Paradoxically, however, Birmingham has one of the highest birth rates in the country at 19 per cent above the national average. Here again, the figure is boosted by the

ethnic minorities because they tend to include an exceptionally high proportion of people in fertile age groups.

This natural increase to Birmingham's population has nevertheless failed to halt an overall slide. Last year the population fell below 1m for the first time in decades when it hit 996,200, some 15 per cent below its 1961 level.

As with other cities, the main reason for the decline is people's exodus in search of a better lifestyle. Some leave forever, usually to the South-East, but many simply move out into the suburbs or surrounding countryside: between 1971 and 1981, the number of people commuting into the city rose by 14,000 to 162,000.

One consolation for Birmingham in the face of its declining population is that it is in no danger of losing its place as Britain's second biggest city. Its nearest rival, Glasgow, has a population of only 718,000, while Manchester and Liverpool are less than half its size at about 450,000 apiece.

Richard Tomkins

# BIRMINGHAM

- where else?

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for its latest high-duty alloys for aircraft engines (produced at the UK's only titanium melting plant). Then Holford is setting new standards, environmentally and constructionally, for the development of industrial estates... The IMI Mint has produced coins for more than 60 countries... we could go on, but these are just some of the nearly 50 UK and almost as many overseas IMI companies who in 1987 made sales of £861m and pre-tax profits of £92m in a year of further substantial growth.

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Brewing leading national and local beer brands in four Midland breweries, the company's achievements have resulted in major investment in the area.

Mitchells & Butlers have won a national premier environmental award for their £11 million redevelopment of Cape Hill Brewery - the coveted Business & Industry Environmental Award: at the Bass Brewery in Burton upon Trent a multi-million pound redevelopment is nearing completion; and continuous improvements and new innovations are taking place in the company's licensed properties throughout the region.

This success has also meant investment and involvement in the community, with support for local projects including music and the arts, community care, environmental and Young Achiever Awards, and backing for initiatives such as The Prince's Trust, Birmingham Venture and Business in the Community.

The company supports many forms of sport, including sponsorship of Warwickshire, Northamptonshire and Derbyshire County Cricket Clubs.

**Bass Mitchells & Butlers**  
The Midlands Division of Bass PLC

Brewers at the Heart of the Midlands

National Exhibition Centre is to double capacity

Pop, sport lift profits

AT FIRST it was considered by many to be a white elephant, a future drain on ratepayers' and taxpayers' resources. Twelve years after its opening, however, that National Exhibition Centre is viewed as an outstanding example of municipal entrepreneurship.

when it opened. About 65 per cent of gross income in 1987-8 came from third party-organised exhibitions which the NEC's original backers, the city council, expected it to make a pitch for. Another 4 per cent comes from commercial lettings of shop space, car parking facilities and the like.

channelled towards Birmingham because of the lack of competition in Britain. The NEC is well down the list of European exhibition centres in terms of size - but it is more than two times as big as the Earls Court centre, its nearest rival in Britain.

The NEC, built largely with Birmingham Council-raised funds, is already Britain's biggest exhibition facility by far and its success has led to the city laying plans for a doubling of capacity by the year 2000.

The rest comes from two revenue earners which have been introduced. In the 1980s, events, such as pop concerts and sports shows, provide about 20 per cent of income; and exhibitions organised by the NEC's in-house entrepreneurial department, arising from its 30 strong-team spotting gaps in the market, account for another 10 per cent.

The number of exhibition centres in Britain is growing yet all are comparatively small and the NEC argues that, although they will be rivals for smaller exhibitions, they could also act as "fodder" for the NEC's growth: once an exhibition grows to a certain size, there is only one place for it to be held.

The NEC's achievement can be measured in part by its profitability: last year it made a contribution of £3m to the city's rate funds. But just as important has been the spin-off on to local companies both in terms of their revenues and the number of jobs they provide.

All of this has led to the NEC being fully used for the equivalent of about 240 days a year - an occupancy rate of about 65 per cent. Is that enough, however, to justify the risk involved in the NEC's decision to aim to double capacity to 200,000 sq metres by the end of the century?

Some proof of this has already been provided by the take-up of space at next February's International Spring Fair for a variety of products, including gifts, jewellery and ceramics. For years this event has been restricted because of lack of space. The opening of halls 6, 7 and 8 has, however, enabled the fair to increase in size by 80 per cent and all the additional space has been taken up.

Hard and fast figures are hard to come by - the last serious attempt to gauge the economic effect of the NEC was in 1984 when Ecotec, a consultancy company, estimated that nearly 4,000 jobs had been created and that £5m was pumped into the local economy a year as a direct result of the NEC's existence.

After all, the first part of the five-phase expansion alone involves £21m of expenditure. A third of that will be provided by a European Community grant, but most of the rest comes from the city borrowing on the financial markets and the debt will have to be serviced.

Mr Terry Golding, NEC chief executive, and his team, base their optimism in part on the rapid growth of business spending on exhibitions. Industry sources show that whereas UK companies in 1976 spent only about 2 per cent of their promotional budgets on exhibitions that figure has now reached 10 per cent and is growing.

The centre's ability to generate opening profits of £9.5m on turnover of £21m rests only in part on the business it specifically set out to capture

Furthermore, much of the increased spending has and will inevitably continue to be

Birmingham City Council will undoubtedly need more evidence of increased demand before it sanctions further expansion. But, for the moment, faith in the NEC runs high and few people doubt its ability to meet its growth targets to the end of the century.

Michael Smith

INTERNATIONAL CONVENTION CENTRE

A British first



The convention centre begins to take shape on the city centre fringes

YOU CANNOT have your cake and eat it. Unless, that is, you are Birmingham City Council.

One problem loomed above all others when Birmingham decided to demolish a run-down chunk of the city centre and construct Britain's first purpose-built convention centre: where to find £121m.

The difficulty was that the European Community was prepared to put £35m towards the scheme on the grounds that it was a worthy public sector project, but Birmingham City Council had to find the rest.

The council was happy to take on the necessary debt. But tight government controls on local authority spending meant that any money borrowed for this project would have to be offset against the rest of the council's £100m a year capital programme, so leaving it in tatters.

Mr Tom Caulcott, then chief executive of Birmingham City Council, recalls how one suggested alternative was to seek an extra capital allocation for Birmingham on the grounds that this was a project of national or regional significance.

"But to get that we would have had to get the agreement of the other metropolitan authorities, and there was no way the Manchester, Leeds and Sheffield of this world would have given up their capital allocations in order to increase ours."

The solution - which Mr Caulcott claims was suggested by the Treasury - was that Birmingham should 'privatise' the International Convention Centre by funding its construction through the vehicle of the National Exhibition Centre Limited, a company formed (and owned) by the city council to manage the NEC.

The pretence enabled the government to turn a Neilsonian eye to Birmingham's financing of the project on the grounds that it fell within the private sector. But only public sector projects qualify for EC aid, so the sham was there for all to see when Birmingham duly received its £35m EC grant.

The result of this fancy financial footwork is that a great swathe of central Birmingham is being transformed as Britain's first purpose-built convention centre takes shape in readiness for its opening in 1991.

There will be 11 main halls in the centre itself with seating capacities varying from 120 to 3,000 people each. The halls will include exhibition, banqueting, theatre and cinema facilities, and there will be smaller meeting rooms for so-called break-out sessions.

Hall Two will double as a concert hall seating 2,200 people. This will aim to offer some of the world's best acoustics and provide a suitable home for Simon Rattle and the City of Birmingham Symphony Orchestra as well as visiting performers.

Immediately adjacent to the convention centre will be the 26-acre Brindley Place development. The centrepieces of this ambitious project will be the National Indoor Arena, a sports complex capable of accommodating practically all national and international events.

Also in Brindley Place will be canal-side shopping, a national aquarium, cinemas incorporating the latest screen technology, a two-star family hotel, offices, and car-parking.

Debt charges on the cost of constructing the convention centre mean it is unlikely to make money for years. But Birmingham believes modest losses are justifiable when set against the creation of 2,800 new jobs and the £54m worth of spending the convention centre is expected to bring to

the region. The centre will be chasing both the main categories of convention business: association conferences, typified by the annual meetings of professional bodies and business associations; and corporate conferences of the type that accompany product launches and sales motivation campaigns.

Probably about 65 per cent of its business will come from the corporate side. At present, this is predominantly a domestic marketplace, but the convention centre believes it will take an expanding slug of European business as its reputation spreads.

Although fewer in number, association conferences are larger in scale and broader in their international horizons. It is on this side of the business

that the convention centre will be competing on a global scale.

Association conferences frequently run to several thousand delegates, more than any single hall in the convention centre will accommodate. But it is here that the National Indoor Arena will come into play: with 8,000 tiered seats and room for 4,000 on the arena floor, it will be able to accommodate most world-scale conferences.

The convention centre is coy about the number of bookings it has so far secured. Corporate conferences operate on short lead times, it says: but on the association side, the International Olympic Committee's conference will open the centre in June 1991, followed by 'Rescue 1991', an international conference of life-saving organisations, the same month.

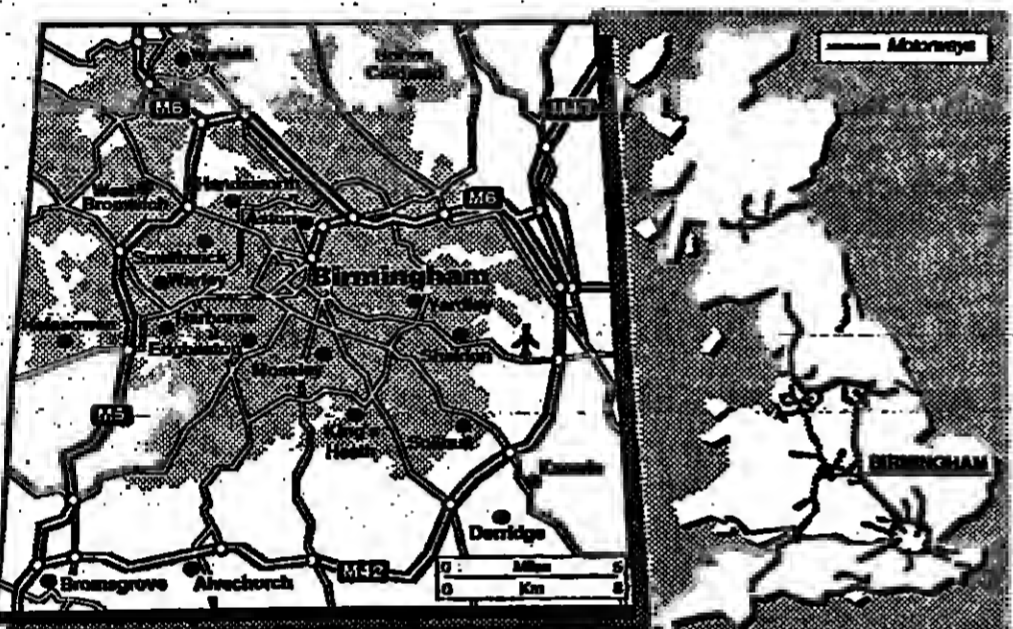
The real coup would be for the convention centre to get itself on the UK party political roster alongside Brighton and Blackpool, but it has not swung the argument yet. Meanwhile the only other convention it publicly claims is the World Genetics Conference in 1993.

Like the NEC in its construction phase, the convention centre is getting its fair share of harracking. When The Prince of Wales described it as an unmitigated disaster, he was referring to its architectural but others fear the phrase could aptly describe the financial outlook, too.

Both views may be overly pessimistic. The architects' model does indeed look grim, but as the buildings themselves take shape, they are beginning to assume a hint of magnificence.

On the financial front, the convention centre is being launched into a world market said to be worth £40bn a year and growing at 16 per cent annually. It is unique in the UK and at least as well researched as the NEC. Nobody can be sure it will succeed - but if it does, it will be the making of modern Birmingham.

Richard Tomkins



Deprivation

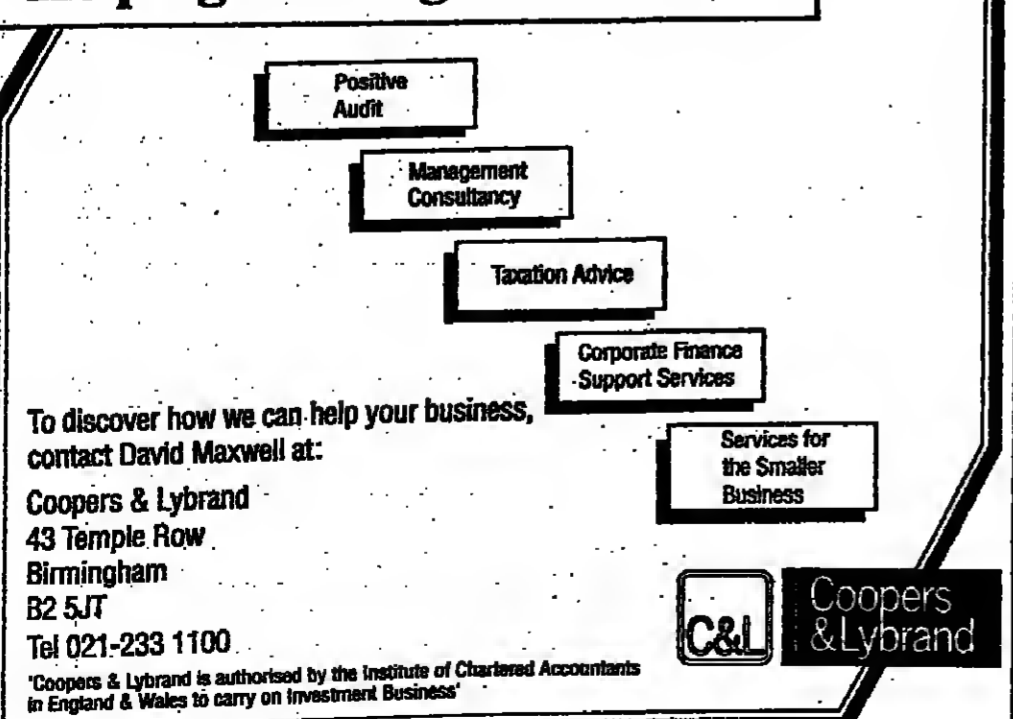
Continued from Page 2 needed extensive repairs. Meanwhile, homelessness has increased substantially: in 1987 there were 26,300 households on the housing waiting list, more than double the figure of 1979. In 1986, the city dealt with 7,970 homeless households, a figure three times higher than in 1979.

primary at helping business rather than deprived residents. "If our economy is so buoyant, why should the council be doing things, like building the International Convention Centre which should be done by the private sector?" says one Left-wing councillor.

accusations from the Right that they may simply be throwing money at the problems. One of the main thrusts of their approach has thus been to launch schemes which can both engender new money and create jobs.

Michael Smith

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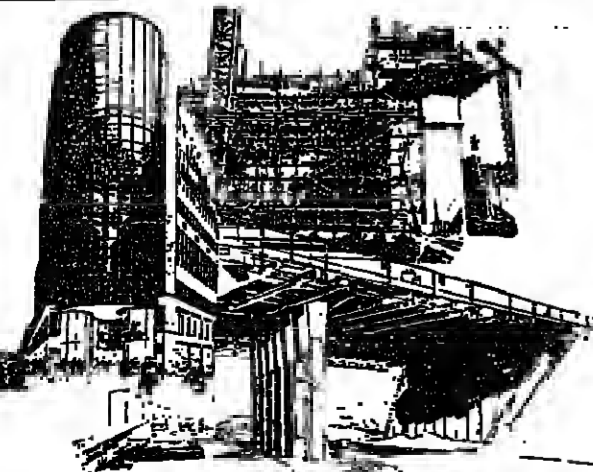
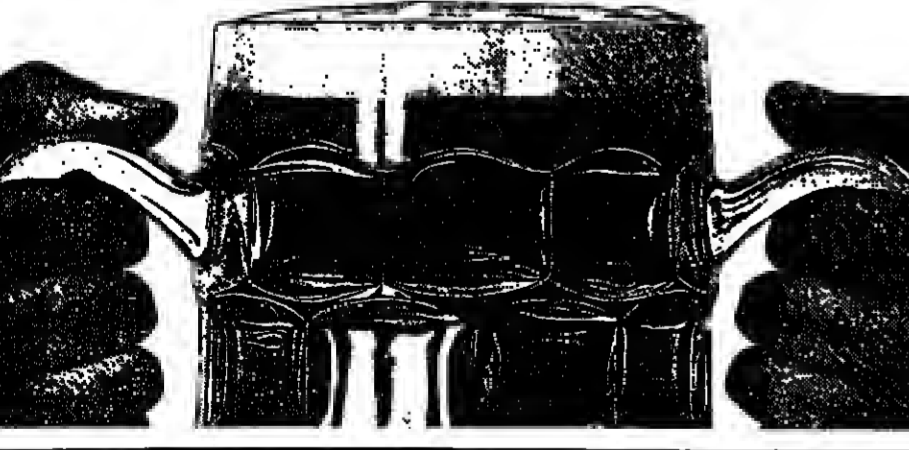
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Building The Brasshouse, a new £1.25 million flagship pub as part of the International Convention Centre complex. Sponsoring Birmingham-based activities, from the Repertory Theatre to the Waltham (the largest event of its kind in the world). From now on, the pace will increase. Ansell's will stay in the fast lane of the leisure industry, as Birmingham drives forward to become a truly international city.

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**WHEN IT COMES TO REVIVING A CITY, YOU DON'T DO THINGS BY HALVES**



**ACCOUNTANTS**, unlike their clients, seem to coast through bad times and good with no outward sign of suffering. Those in Birmingham are no exception. It is hard to find any who say they laid off staff during the recession. Most talk of uninterrupted profit and staff growth.

There is an element of bravado in this, but it reveals a perennial truth: professionals thrive on change, regardless of whether their clients are thriving.

The good times, of course, are a lot more profitable than the bad. For the past two years the fee income of some large accountancy firms in Birmingham has been growing at around 30 per cent. Staff numbers are also moving strongly ahead. Coopers & Lybrand, for instance, has 400 staff, compared with around 320 a year ago. This time next year it expects to have 500.

While growth has been consistent through both good and bad years, the pattern of growth has changed. Most obviously, insolvency depart-

**BIRMINGHAM 4 ACCOUNTANCY SERVICES**

**Pattern of growth changes**

ments built up during the recession have either been wound down or renamed. "Corporate recovery" is the most common new label, reflecting the work such departments do helping banks keep their troublesome clients solvent in the first place. The "insolvency" tag has been set aside for a rainy day.

Less obviously, growth is coming from a different type of client and a new range of services. The Birmingham offices of the largest accountancy firms once focused on the largest West Midlands-based companies, of which there were plenty to share around. Many of these companies have now either disappeared or cut back much of their local activity. Smaller businesses have come to the fore, bringing a demand for a new range of services.

Large companies mainly need these accountants to help them control their various operations. Smaller ones need them to help them grow.

This change has opened up the market for accountancy services in the West Midlands. The old distinction between large firms serving large clients and small ones small clients, always an oversimplification, is now less true than ever.

Coopers & Lybrand, for instance, has 35 people working full-time in its small business department. These people are in direct competition to smaller firms of accountants, but with one advantage: they have behind them nationally developed "products" for small companies.

The disappearance or shrinking of some large local compa-

**hullid teams of specialists which smaller firms are unable to support.**

Demand for advice on international tax issues has also grown strongly, requiring far greater specialisation. "Our biggest clients have become much more international. There are fewer factories to audit in the West Midlands, but we tend to be closer now to their management throughout. The range of services offered to clients' head offices in the West Midlands has had to change sharply.

It is this demand for a wider range of specialist skills that has given firms like Arthur Andersen a toe-hold in the city. Andersen is smaller than some locally based firms, but is amongst the leaders in tax consultancy or corporate finance - proof that it is possible to grow an accountancy business without a strong audit base.

Operating as full-service firms rather than audit outposts, Birmingham accountants now think of themselves as at least as good as their London counterparts - though the largest firms of accountants, being part of national networks, play down any hint of competition with their brethren in the capital. They are also about 25 per cent cheaper, according to most estimates. This is because their salary bills are between 10 and 15 per cent lower, and office space is still well under £10 a sq ft.

Richard Waters

**LEGAL SERVICES**

**To merge or not to merge**

THE BIGGEST question taxing the minds of solicitors in Birmingham is the same as that which troubles other lawyers around the country: will successful and substantial provincial law firms be forced eventually to become part of larger legal networks, in the process surrendering much of the control and the character that distinguishes them?

The question is particularly acute for Birmingham, where a handful of local firms believe themselves to be at least as prominent in their local market as larger City firms are in theirs. Through mergers and rapid internal growth, the city has four large commercial firms, each with up to 30 partners: Evershed & Thomkinson, Wragge & Co, Pinsent and Edge & Ellison.

The main difference between these firms is the proportion of other solicitors they employ - for instance an average of 1.5 assistants to every partner at Pinsent and 2.5 at Edge & Ellison. This gearing effect, while still far below that of leading City firms, where four to one is not uncommon, implies sharply different profitability at these firms - though those with higher gearing claim that their clients get as much attention from partners as those of other firms.

Birmingham also has, in Martineau Johnson and Needham & James, two firms aspiring to join the ranks of the leaders.

These half dozen firms have developed rapidly in the last five years and now claim to have the skills to handle any of the demands the largest local companies can throw at them.

Mr John Wardle, who has been senior partner of Edge & Ellison for the past 25 years, summarises it as follows: "The quality of work is here to attract good lawyers. It has grown dramatically over the last five years for a lot of people." One or two have been involved in such work for years: Mr Wardle himself, for instance, recalls handling a handful of flotations a year in the mid to early 1960s. He is now no longer the exception in the Birmingham legal community.

The lawyers' claims are confirmed by other local professionals, their best source of work. According to one active corporate financier: "There must be some esoteric things they can't do. But I prefer wherever possible to use Birmingham lawyers to London lawyers. They are more responsive, and you get attention from partners, rather than being passed down the line to more junior staff."

Such testimonials add weight to the lawyers' claims that they are regaining work lost in previous years to the City. Coming at a time of frenetic economic activity, bringing particular demand for legal services related to corporate finance work and commercial property development, this has led to a rush of work that has left the lawyers gasping for breath.

Sir Patrick Lawrence, another prominent figure in the local legal community and senior partner of Wragge, summarises the glut of work as follows: "For 40 years people have been telling me that I have been earning too much. For the first 38 they were wrong." The difference now is not that his fees, and those of other lawyers, have gone up, but that they are working far harder than in the past - fee income has grown at a compound rate of 35 per cent in the past three years, he says. The volume work has soared, but the staff available to do the work has failed to keep pace.

Reports vary on how difficult it is to find new recruits, though most agree that Birmingham has become more attractive in recent years to lawyers who otherwise would work in London. Nevertheless, the shortage is still acute: Pinsent, a firm which has 40 assistant solicitors, says it is up to 20 short at present.

The growth in recent years marks a longer-term challenge for the lawyers, though. How important is it that they form links or merge with other law firms around the country and internationally? The isolation in which they have thrived in the past may be about to end.

The advocates of networks point to the extra resources a group of firms can bring to bear on things like training and information technology. Associations like the MS group, whose Birmingham member is Wragge, claim that this gives them important economies of scale.

But how important is it for these firms to develop national networks of offices? Mr Wardle of Edge & Ellison says that a company buys most of its legal services at one point: its head office. There is no need for a firm of lawyers to set up outposts around the country following their clients' subsidiary operations, as accountants have done. And why go fishing in someone else's pond when your resources are more than tied up on existing business?

This may be true when the market for legal services is growing fast, but what if it slows down? Accountants may have followed their largest clients around the country, but have since built up a base of local business. For instance Arthur Andersen, in Birmingham for only 15 years, still relies for 40 per cent of its fees on work referred to it by other Andersen offices. But Coopers, which came to the city more than 25 years ago, now generates more than 90 per cent of its fees locally, and passes as much work to other Coopers offices as it receives from them.

The extreme example is Peat Marwick: it is effectively a collection of regional firms operating under a common name, sharing profits locally rather than nationally (it is often referred to disparagingly as a "franchise" by other accountants). The opportunity exists, some lawyers believe, to establish a similar national name and presence, shutting out firms which stick to their local last. The case, though, has yet to be proven either way.

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**VENTURE CAPITAL**

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VENTURE CAPITAL - in contrast to more the general merchant banking industry - appears a natural for localised services.

Such investment activity is, after all, a matter of detailed study: conducted well away from the City's capital markets; and an area which requires particularly close contact between the investing and the business itself.

It is not surprising, therefore, to find Birmingham well supplied with expertise. There are the venture capital organisations themselves, the most prominent of which is probably 3i; a raft of broader financial organisations, ranging from stockbrokers Albert E Sharp to the merchant banks, who have seen the wisdom of branching into this area; and the "public sector" in the form of the West Midlands Enterprise Board.

The industry, moreover, is both chunky and long-established, having accelerated significantly in the seventies on the back of the management buy-out trend. While recession may have been highly detrimental to West Midlands industry generally during this period, the pressures on companies to streamline activities creates a host of venture/development capital opportunities.

3i, for example, which has maintained a presence in Birmingham since the early-fifties, announced that it was supporting its 100th management buy-out team in the West Midlands in October this year. The deal in question is worth noting as a fairly typical example of how regional venture capital can step in. In 1967, the quoted Newman Tunks group - a fairly acquisitive Midlands-based door supplies and building supplies company - took over Peerless. The food packaging interests, however, had little fit with Newman's core business and was sold on to management for £16m, with backing from the local venture capitalists. Those featuring included 3i, County NatWest and MIM.

The Peerless Plastics Pack- Continued on Page 5

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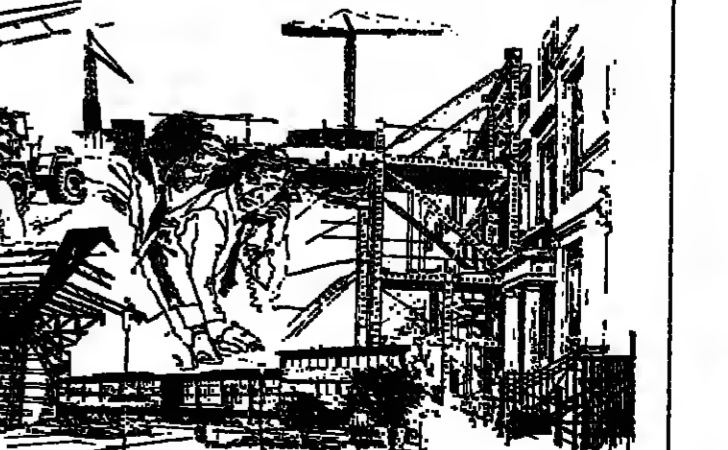
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**BIRMINGHAM 5**

**STOCKBROKING**

**An easier retrenchment**

**THIS YEAR** has been a lousy year for stockbrokers generally. In the wake of the October stockmarket crash, volumes of trading have been low, both on the institutional and the private client sides, and the new issues market has reduced significantly the number of new issues.

But although these chilly winds have blown through Birmingham, the local stockbroking fraternity feels it has been able to retrench more easily than the larger City firms because of its lower cost base and current trends in private client business. Top London-based firms have deliberately deserted all but the richest private clients by increasing minimum charges and/or imposing higher minimum portfolio sizes, and the regional stockbrokers have seen scope for picking up the work.

Birmingham is probably the best located centre outside London itself. There are 11 firms of stockbrokers in the city, most of them concentrating on the private client side; one branch office for Bristol brokers Stock Beech; plus the ShareLink dealing-only service.

By far the largest broking operation is Albert E Sharp, which has an established reputation on the research side - although it lost its place in the 1988 Retail rankings. Sharp draws most of its income from non-private clients. Of the predominantly private client firms, Smith Kean Cutler ranks as number one, followed by Murray & Co and then a raft of smaller firms.

Amongst this latter group, a number have been overtaken by changes recently. Smith Kean Cutler, for example, linked up with the Midland Bank/W Greenwell combine back in the Big Bang marriage days, while Murray & Co has become part of Allied Provincial Stockbrokers, one of the two groupings of regional brokers. Margetts & Addenbrooke belongs to the National Investment Group, the other.

Some changes have been more recent still. A few weeks ago, Lloyds Bank Stockbrokers acquired Chambers & Remington for an undisclosed sum. LBS itself describes the move as a prudent expansion of its capacity. The clearer had always used a panel of brokers - including Chambers - when customers requested transactions. However, it found that a number of City firms opted out in the high volume days of 1986/7 and also decided, from its own viewpoint, that additional capacity was advisable. Accordingly, the relationship is being cemented, although the Chambers name will be kept.

Fyfe, Barton Finney is another firm of local brokers to see upheavals. Again, in the pre-Big Bang days, Mr Michael Ashcroft's Hawley Group (now the Bermuda-based ADT Group) acquired a 29.9 per cent interest. In 1986, FHF Market Makers, Birmingham's only market-maker, was set up, again with Hawley's backing.

Pre-crash, according to FHF, there was some discussion about Hawley severing its links. The break, however,

**MERCHANT BANKING**

**Nursery for the future**

**MERCHANT** banking, by its very nature, seems to evoke City portals and mahogany boardrooms. Since, in the UK at least, so much activity is equity-based, London would appear the natural place for such activity and services to reside.

What, then, is the role of merchant banking in England's second city?

At the outset, it should be noted that the presence of individual merchant banks in Birmingham has been something of a movable feast in recent decades. At one stage, the American investment houses were conspicuous - the likes of Bankers Trust, Bank of America, and so on. Today, these have largely departed. A number of UK merchant banks have also come and - at least, in terms of any strong presence - gone. Here, the names might include Charterhouse, for example, or Hill Samuel.

Nor, it should be said, do many of the top-line corporate finance houses have much regional representation. The triumvirate of S. G. Warburg, Schroder Wagg and Morgan Grenfell, which have dominated the merger and acquisitions tables for the past few years are conspicuously



The key members of Birmingham's financial community are grouped together in the West Midlands International Investment & Merchant Bankers' Association. Left to right, five committee members: Mr Maurice Maloh of Banque Nationale de Paris; Mr Peter Williams of St. John Banker (the association's chairman) of Kleinwort Benson; Mr Roy Clifford of the Bank of England, and Mr David Hammond of Barclays Bank International Services.

absent, although Kleinwort Benson does have a long-established Birmingham office.

That said, it would be a mistake to conclude Birmingham-based merchant banking activity is dead. On the contrary, the merchant banking arms of the clearing banks - BZW, County NatWest and Lloyds Merchant Bank - are well-represented and busy, and a number of smaller merchant banks have active branch offices.

Moreover, if "merchant banking" is taken in its broadest sense, it is worth noting that a number of indigenous businesses, like stockbrokers Albert E Sharp, have made inroads into this area, and that some formidable investing institutions, like St. John's, also have a significant presence. The recently formed West Midlands International Investment and Merchant Bankers' Association counts some two dozen members - including some overseas bank representatives.

The one point which all players on the Birmingham scene tend to stress is the strength of the ancillary services. The city, they argue, is well served by both the rapidly expanding accountancy firms and a good supply of legal facilities. "It'd be as comfortable with the local expertise as with any London firm," remarks Mr Keith White, director at County NatWest.

With this in mind, the local industry maintains that it is both possible and efficient to service Midlands-based companies on their doorstep, saving the hassle and time-wasting which a regular succession of trips to London can entail. In short, local merchant banking services can be sold on sheer convenience.

Local offices can also be justified as a useful conduit to the more daunting City-based organisation. There seems little doubt that some organisations see their regional representation as a means of attracting small and medium-sized companies on to their client lists. The local representatives provide a less forbidding face, supply valuable local knowledge, and act, to a certain extent, as cultural interpreter.

Certainly, the balance of activity undertaken by the Birmingham-based merchant banks offices is slightly different to that of their head offices. Far more emphasis is put on the supply of fairly modest funds, and on the management buy-out/development capital role. But even those most active at the local level concede that a client caught up in contested bid activity, for example, would tend to be advised predominantly by their City office.

The usefulness and the extent of the local development capital role - though lacking the glamour of mega-bids - should not be underestimated. Deals, though scarcely chunky in City terms, can be significant. County's Birmingham office, for example, boast the \$20m buy-out of Vulcan Materials, now renamed AMG Industries.

And local players would argue that it is this sort of work which can - with a bit of patience - lead to future opportunities. After all, of the 20-odd Midlands companies coming to market in 1987 and 1988, the majority were sponsored by Birmingham-based organisations. "This," says one merchant banker expansively, "is my nursery for the future."

Nikki Taft

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**Local expertise**

Continued from Page 4

aging buyout also brings home a further aspect which the regional venture capital industry boast with some pride: the ability to syndicate venture capital deals within the region. Certainly, sums being put up by locally-based institutions are not insignificant: Mr Peter Williams at St puts the annual inflow at over £70m.

The West Midlands Enterprise Board operates from a slightly different perspective. It was set up in 1983 by the West Midlands County Council to provide investment funds specifically to medium-sized manufacturing industries on a long-term (seven to ten-year) basis. While the WMEB usually requires equity involvement, it generally takes minority holdings. Sums put up tend to be

smaller than those of the mainstream venture capital organisations - typically between £100,000 and £750,000.

Funding was originally restricted to seven district councils, but need/opportunities in a broader area have since become apparent. Hence the birth of the West Midlands Regional Unit Trust, a £10m institutionally-held vehicle which extends to Herefordshire and Staffordshire. Smaller funds have also been developed with local county councils - Coventry, Warwick and, most recently, a Black Country fund. This last vehicle will have funds of around £400,000 - half of which come from four county councils and the remainder from the WMEB itself.

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**BIRMINGHAM 6**

The surplus space of the mid-1980s has all been mopped up

# Office rents rise attracts investors

DEMAND FOR offices in Birmingham has been such that, in some cases, estate agents have signed up leases before they have had time to print up the particulars of the property.

It does not happen all the time, but it does denote a major change in the market since the mid-1980s. Then, recalled Michael Corbett of Grimley JR Eve, chartered surveyors, there was two years supply of space on the market, based on an absorption rate of between 250,000 and 300,000 sq ft a year.

In those days there was only a small demand for large chunks of space. Now there is very little large space to lease anyway. "There will be a space shortage for the next two years, so rents will rise considerably," predicted Simon Quantrell of Chesterton, chartered surveyors.

From about 1985 the surplus space on the market — and in this respect Birmingham was little different from other regional centres — has been mopped up. The accountants were the first to move in, followed by the banks, insurance and computer companies, and finally the solicitors. The demand has largely been local, in response to the growth of the economy, even if some has come from the area branches

of national companies. There has not been a flood of companies migrating from London.

There are hopes in Birmingham that local demand will be underpinned by decentralisation from London. Mr Corbett conceded that such hopes have been expressed before and not realised. Still, accommodation costs have been climbing sharply in the South East and the economic arguments in favour of cheaper centres have never been stronger.

So far though companies migrating from London have tended not to move very far and Birmingham has certainly not been a favoured destination. But the Property Services Agency, on behalf of the Government, is believed to be looking for 350,000 sq ft in the area and major financial institutions have been seeking to move administrative staff out of high-cost London locations.

For the moment the whole question is a little academic because there is nowhere for them to go. Grimley JR Eve has calculated that, in units of more than 6000 sq ft, the total amount of accommodation currently available in central Birmingham is just over 80,000 sq ft.

Seen against a total office stock put by the Birmingham City Council at 17m sq ft, this is a tiny amount, making Bir-

mingham a mirror image of the City of London last year. But the shortage has in its turn stimulated development.

Existing construction plans mean that a further 413,500 sq ft should come on stream in the city centre and a further 297,000 sq ft in Edgbaston, the nearest other location, by the end of next year. But, noted

**"The agent's barrier of £10 a sq ft came and went like a pussy cat some months ago"**

Grimley JR Eve, only 176,500 sq ft in the city centre and 135,000 sq ft in Edgbaston are actually available: the balance of the projected space has been pre-let. Again a mirror image of central London.

Only two of these schemes are more than 100,000 sq ft in size — a development by Wesleyan and General Assurance in the city centre, half of which is for its own occupation with the rest under offer, and another by Embassy Developments in Edgbaston that will offer small units, most of which have been pre-let or reserved.

Over the longer term, there are plans for nearly 1m sq ft of development including developments of over 100,000 sq ft by Barclays Bank, Henry Boot, British Rail, MEPC and John Laing Developments — the last just selected by the Post Office for the refurbishment of its main Birmingham building which will have 150,000 sq ft of office space.

What has prompted all this activity, after some years of sluggishness in the development market, has been the rise in rents as the space shortage has bitten. "The agent's barrier of £10 a sq ft came and went like a pussy cat some months ago," said Mr Corbett. Grimley JR Eve has done a deal at £15, while Chesterton has a property under offer at the same figure.

Those figures apply to the city centre, but nearby Solihull's costs are much the same. Rents in Edgbaston tend to be lower but have touched £10 a sq ft. Now there is talk of prime properties fetching £20 a sq ft before the market reaches a plateau.

But the higher level of rents has not only drawn in developers. It also heightened investment interest in the market. This was probably inevitable. Institutional buying interest has tended to spread out from London this year, helping a

narrowing of yields on prime properties to about 6 per cent.

Individual and corporate interest has also spread to the secondary office market, coming from local and London sources, where it has been possible because of the earlier low base of rents to acquire buildings for relatively modest sums, refurbish them and double the revenue stream.

The strength of the market overall is now prompting fears that potential city occupiers might be pushed out to lower cost areas like Coventry and Redditch. Some competition is in any case coming from ventures like the Birmingham Business Park of Arlington Securities, the plans of Erostin Developments to build a new complex close to the airport — although there are planning constraints on both of these — and the plans of Richardson Developments to add 300,000 sq ft of offices to the retail and leisure complex at Merry Hill, Dudley. The physical shape of the Birmingham office scene is, in any case, on the verge of change. Work to put the inner ring road underground and pedestrians overground will break the collar around the city centre. At the same time the developing International Convention Centre, just outside the inner ring road, with all of its commercial ramifications will act as a bridge between the city centre and Edgbaston. This should help to create a more unified market.

Paul Cheeseright

## RETAIL PROPERTY

# Developers swoop

DEVELOPERS have swooped down on Birmingham and if all their schemes come to fruition then the retail landscape will change significantly. But it remains to be seen whether the hopes of 1986 and 1987 will look quite so bright in 1989 and 1990.

The importance of Birmingham as a regional shopping centre goes without saying and that is not going to change because of blips on the economic picture. But the Government is trying to rein in consumer expenditure through higher interest rates, and retailers are beginning to feel their margins tighten.

With large amounts of new space coming through, or into, the Birmingham pipeline and retail wholesalers adopted as a means of urban regeneration, it would be unusual if there were not some disappointments, some delays in winning the anticipated yields, somewhere in Birmingham over the short/medium term.

It is perhaps significant that one major retail investment possibility in Birmingham has been on the market for several months and has not been taken up. This is the Bryant development of The Pavilions, funded by Royal Life — a 250,000 sq ft shopping centre which opened in 1987 and which has drawn in record rents for the area. Some leases have been signed up at £150 a sq ft Zone A.

The Pavilions though, allied to the refurbishment of The Pallasades by the Norwich Union, arguably marked the

start of the retail renaissance of central Birmingham. They have been followed by the opening this month of Ladbrooke City and County's City Plaza, which combines specialised shopping facilities with an office development.

Construction has started on the redevelopment by Color Properties and Knah & Tompkins of a former Debenhams store and Avatar, the joint venture company of London and Edinburgh Trust and Balfour Beatty, has a retail element in its Moor Street scheme, adjacent to the Bull Ring.

The Bull Ring is the best known of the Birmingham shopping centres. London and Edinburgh Trust bought it from Laing Properties last year and since then has been working on designs — more than 20 different schemes so far — for its redevelopment.

Outline planning consent is already in place for what will be the largest of Birmingham's new generation shopping schemes at more than 1m sq ft and Mr Nicholas Ridley, the Environment Secretary, has decided not to intervene. Construction should start in 1990 on the project which will be called The Galleries. This is one of those schemes on which Prince Charles keeps an eye.

The next major scheme is part of the Convention Centre development. The Birmingham City Council selected a consortium of Merlin International, Shearwater, the Rosebath subsidiary and Laing to develop 26 acres. The develop-

ment will include a festival marketplace, jargon for speciality shopping leavened with entertainment as at Covent Garden in London, of 150,000 sq ft and a further 50,000 sq ft of ancillary shopping.

With all of this going on in the city centre, it is not surprising that Birmingham City Council has decided to oppose the competition implicit in the application from George Harris and Associates, backed financially by Standard Life, for a new 830,000 sq ft complex outside the city centre at Fort Dunlop. The public planning inquiry will be next year.

So far the only major out-of-town shopping centre in the Birmingham area is the Richardson Developments' Merry Hill project at Dudley, in the Enterprise Zone, where more than 1m sq ft is being welded on to what was basically a retail warehousing operation.

Planning consent also exists for a major centre at Sandwell, but the failure of Color Properties to get the project off the ground and the subsequent failure of the local authority to reach a development agreement with Cameron Hall Developments, has meant a new selection process is underway to find a developer.

Meanwhile the push for retail warehousing sites goes on. Lack of sites has prevented the spread of retail warehousing parks although there are plenty of first generation single warehouses.

Paul Cheeseright

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## INDUSTRIAL PROPERTY

# Surplus space eaten up

ANYBODY who had suggested three years ago that it would be possible to sign up tenants for industrial and warehouse property on a 25-year lease or that there would be an active demand for freebites would have been seen as crazy.

But the Birmingham market, a case of peaks and troughs if ever there was one, has been climbing to the highs again. Simon Lloyd of Chesterton, chartered surveyors, noted that his company had 1.5m sq ft of industrials on its books in

1979. That rose to a whopping 11m sq ft in 1982. Now it is down to 500,000 sq ft.

Birmingham City Council has calculated that, overall, industrial and warehouse space fell during 1987 from 7.3m sq ft to 4.1m sq ft, and in the first three quarters of this year, fell again to 1.5m sq ft.

This experience is not exceptional. The West Midlands economy has been revving in line with the national economy. King and Co, chartered surveyors, has demonstrated

that the amount of industrial floorspace available in England and Wales has declined steadily since the last quarter of 1982.

At any rate, agents no longer have to offer incentives, like rent-free periods and short leases, to persuade companies to take space. Demand has eaten into the over-supply and although construction costs have risen, rents for new properties have been reaching the point where developers feel secure enough to build new

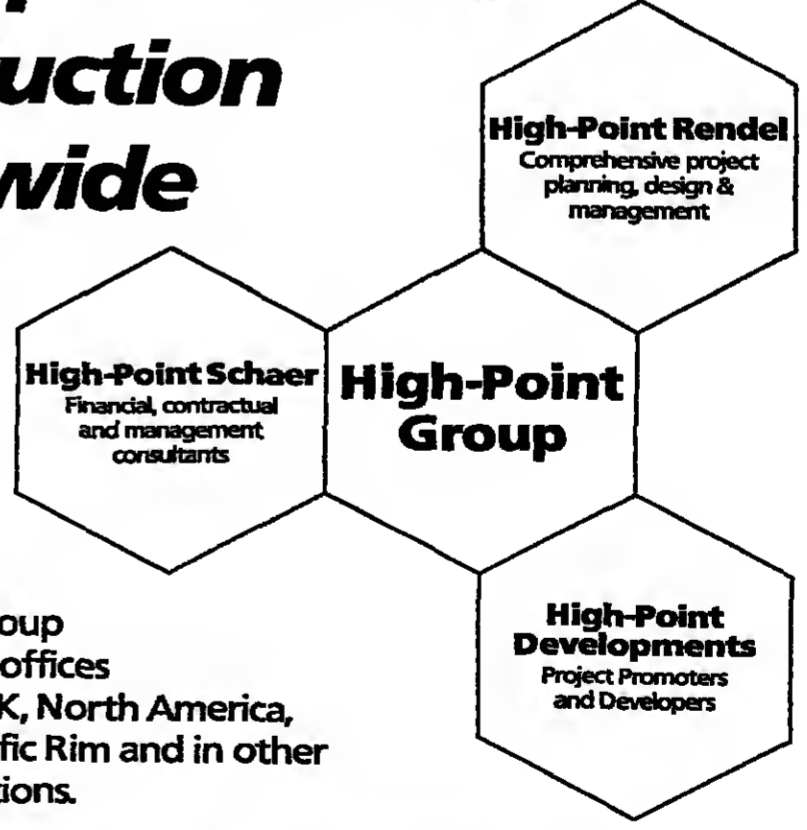
space.

"The magic figure is £3.50 to encourage development," said Michael Glover of Chesterton. For new property rents are being quoted in the £4.00-£4.50 range, for modern property between £2.50 and £3.00 and for old property up to £2.00.

These rents have been reached against the background of a transformation in the economic base. As the importance of heavy engineering has declined, large plants

Continued on next page

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NEW HOTELS

Sprouting up

HOTELS are, or will be if existing plans hold firm, sprouting up all over Birmingham. This not only involves an extension to the Metropole at the National Exhibition Centre...

SHELTERED HOMES

Surge of activity

THE PLANNING department at the Birmingham City Council is said to be inundated with plans for new nursing homes. It is an indication of the surge of activity both for nursing homes and for residential homes catering for the elderly.

THE SIXTH floor Birmingham office of Mr Alan Osborne, chairman of Tarmac Construction, does not command the kind of view to arouse jealousy among his executive colleagues.



Alan Osborne, chief executive, Birmingham Heartlands: "The scheme is about much more than developers making money."

Birmingham Heartlands

A pioneering partnership

As well as chairing Tarmac's construction subsidiary, Mr Osborne is chief executive of Birmingham Heartlands, a pioneering partnership between Birmingham City Council and the private sector to transform 2,500 acres of one of the city's most depressed areas into a thriving centre for commerce, industry and the local community.

one mile area encompassed by the project.

Set up last February, Birmingham Heartlands is a private company which is owned by the city council (85 per cent), Birmingham Chamber of Commerce (1 per cent) and five construction companies - Bryant, Robert M. Douglas, Galford, all of which are local, and Tarmac and George Wimpey - who have equal shares of the remaining 14 per cent.

It has no direct powers over the area it seeks to transform; its role is to co-ordinate, persuade and cajole the council, the government, local landowners and other developers to ensure the success of the scheme.

Labour-controlled Birmingham is perhaps not the most likely setting for an innovative project to test the Government's ideas for encouraging private enterprise to take a more active role in inner city regeneration. The council, however, was attracted to the scheme partly because it was seen as an alternative to a government-imposed urban development corporation (UDC).

Under the Heartlands scheme the city retains the planning powers it would have lost over the area had a UDC been established. And, although the project will cost the city money in infrastructural development, between £2m and £12m is expected to be provided by the five construction companies for seedcorn investments over the 10-year development period. What is in it for them?

Certainly there is nothing in the immediate history of the area to inspire confidence. In the last 10 years, local industry declined markedly and the number of jobs has fallen by a half to 9,000.

Although internal transport communications in the area are poor, external links are potentially excellent because of the closeness of Spaghetti Junction and subsequent access to Britain's motorway network.

Perhaps Heartlands' most difficult task is to persuade the Government that it is worth the £150m of state funds estimated as being necessary for infrastructural development such as developing trunk roads, treating industrially contaminated areas and diverting and replacing obsolete or run-down services.

Mr Osborne believes the Government would tolerate a state funds/private funds spending ratio of 5 to 1 but in the initial stages it may have to be more like 2 to 1. Unlike the UDCs, which are allocated a fixed amount each year, Heartlands will have to apply for grants on a case by case basis.

Although Mr Nicholas Ridley, Environment Secretary, championed the scheme and his Cabinet colleagues strongly support it, they will want to be convinced that Heartlands is meeting its objectives as they consider each application.

Heartlands also has to persuade more local landowners that it is worth their while taking part. Land ownership in the area is widely spread.

So far about 130 acres are in the land pools which Heartlands is organising. Much of this is in the prime sites which are needed for the project to succeed but perhaps another 70 acres are needed for the full targets to be met.

In addition Heartlands needs to win the support of residents. Local people are concerned that too much emphasis is being given to the needs of business and not enough to the community.

The Heartlands Residents' Action Group also fears that outsiders will fill many of the jobs created because of skills mismatches. The census of 1981 showed that less than 5 per cent of jobs in the area were occupied by local residents.

Heartlands is hoping that a community trust will be set up, comprising representatives from business, the council and the residents, to protect the interests of residents. It also sees one of its major roles as co-ordinating a series of initiatives to match education and training to future employment needs.

A training centre is planned and companies involved in Heartlands are being encouraged to form employment compact with local schools.

All of this, says Mr Osborne, is vital to the ultimate success of Heartlands. The scheme is about much more than developers making money," he says. "In the end our success will be judged on the number of jobs we create, how many of them are filled by local people, and the environmental improvements which are made to the area."

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Surplus space

Continued from Page 6 have been either split up to provide the smaller units for light engineering and services or have simply been demolished to make way for new developments.

In all there is about 300 acres of industrial development land available in Birmingham although many of the sites are small. But land is being made available on and outside the periphery, encouraged by the Black Country strategic planning guidance from Mr Nicholas Ridley, the Environment Secretary.

To meet the needs of the Black Country short-term provision of about 60 hectares (145.25 acres) should be made for high quality industrial development, and not necessarily on one site, says the guidance.

The thrust here is for low density accommodation in a landscaped setting with easy access to the motorway system. Indeed, there appears to be no lack of demand in the market place. Motorway improvements like the northern ring road and the western orbital road have been spawning developers. Demand is growing close to motorways with a particular burst of interest in the opportunities offered by the extension of the M40, to link London via Oxford.

This opens up the whole question of the B1 phenomenon, where industrial property changes into office property through the application of a general business category in the Use Classes Order.

The first and established manifestation of this phenomenon, once called high tech, was the Aston Science Park, a phased development by the University of Birmingham, the City of Birmingham and Lloyds Bank. The second generation has come through with Arlington Securities' Birmingham Business Park, where the first space available was taken by high technology companies, and now there are proposals from Erosin Developments for a new park near the airport and directed at the aviation industry and airport users.

Such development attracts rents at more than double the level for normal industrial property. It is a sign that developments, long associated with the M4 and M5 corridors further south have been spreading northwards.

But space is also being sought for distribution and warehousing facilities to take advantage of the same communications factors which interest business park users. The Midlands as a whole has been gaining in importance as a region for large-scale distribution points and this market affects Birmingham.

The most striking example is Magna Park, near the M1-M5 junction, a development by the Church Commissioners and Gazley Properties, part of the Asda group. Another favoured area is near the M5-M6 junction, but space is much tighter.

Paul Cheeseright

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**BIRMINGHAM 8**

Richard Tomkins reveals (with a nod to The Sun) the astonishing truth about Britain's second city

**Twenty things you didn't know about Brum**

- In 1086 the Domesday book recorded Birmingham as a place of 12 people and three ploughs with an estimated value of £1.
- The city today has a population of just under 1m and the city council's annual budget is £1.5bn - bigger than that of many nation states.
- The tap water in Birmingham is arguably the most delicious of any big city in the world. It comes fresh from the Ekin Valley in Wales through giant pipelines.
- The rich ethnic diversity of Birmingham's population has given rise to the favourite local joke: "How can you tell a Brummie?" "By the shamrock in his turban."
- Birmingham Stock Exchange is the only one of England's seven stock exchanges still operating a trading floor.
- Birmingham's passion for roadbuilding may have disfigured the city but it keeps the traffic moving. Average rush-hour speed is 17.5 mph against 12.2 mph for London and 11.7 mph for Manchester.
- People in Birmingham are car crazy. The customary form of greeting on being introduced to a Brummie is not "How do you do?" but "How's the motor?"
- Last month hundreds of railway passengers and all the early morning trains had to be diverted from the city centre's Snow Hill station to another terminus when the man with the station keys failed to show up for work.
- Birmingham's origins are Anglo-Saxon. The name means the homestead (ham) of the family (ing) of Beorma.
- There are 173 companies in the city that have been in business for a century or more. The oldest - Firmin and Sons of Aston - was founded in 1677 and still makes badges and buttons.
- Bourneville, the Quaker-inspired suburb of Birmingham built by the Cadbury family for workers at their chocolate factory, has no pubs.
- Prof Edward Hitchcock, the brilliant Birmingham neurologist who recently carried out the world's first brain tissue transplant, collects hats.
- A relic of the city's gun-making history lies in the Birmingham Gun Barrel Proof House in Digbeth - the only proof house outside London still testing guns for safety.
- Birmingham has more miles of canals than Venice (but not as many palaces).
- The city's extraordinary Corinthian town hall - copied from the Temple of Castor and Pollux in Rome - was designed in 1834 by Joseph Hansom, inventor of the cab that bears his name.
- Birmingham's World of Eating, a guide to local restaurants, devotes half a page to the cafeteria at Tesco's Five Ways superstore ("always generous helpings of sept-warm lunches - sausages, beef curry or the roast of the day; plenty of cakes").
- Neville Chamberlain, the former premier and son of the city's founding father, Joseph,
- Birmingham's two most famous present-day citizens are Denis Howell and Jasper Carrott, one of them a comic.
- Tiger, the cat that keeps the mouse population under control at Birmingham's council house, is a member of the National Union of Public Employees.
- If all the black puddings eaten in Birmingham in a single year were laid out end to end along the A47, they would stretch to Nuneston and back three times and create a severe traffic hazard.

**MENTION THE** words "Birmingham tourism" to a group of people and the chances are that they will respond with a series of loud guffaws. For the city, however, bringing people to Birmingham is big business and it is playing a vital part in the regeneration of the area.

Both tourism-related revenue and employment are growing fast and to cope with the expected demand at least 25 two star hotels or above are either being built or planned to add to the 150 which already exist.

Most of the visitors are, of course, drawn by the National Exhibition Centre and the city's other business-related facilities.

Birmingham is, however, trying hard to get the message across that it is more than just a place to hold meetings and

exhibitions. A wide series of initiatives is in place or planned to both attract leisure tourists and to convince the business visitors that, once they are in the area, it is worth their while to stay around for a few extra days.

The campaign - which includes the staging of yearly events such as the Super Prix motor race in the city centre, the improvement and promotion of the city's 26-mile canal network and the sale of "warm-hearted weekends" in the city - is also aimed at ridding Birmingham of its dull and unattractive image.

The City was irked by Prince Charles' recent criticism of its architecture in a recent television programme but few claim that it is a place of great beauty. In selling itself to the world Birmingham has to stress qualities other than aesthetics.

**TOURISM**

**Tapping the potential**

The man charged with heading the promotion campaign is Mr Philippe Taylor, a former chief executive of the Scottish Tourist Board who now occupies the same post at the Birmingham Convention & Visitor Bureau.

His job is helped by exhibition and conference facilities which few, if any, British cities can match. However, Mr Taylor believes that that is not enough. "We have to go one stage beyond saying that Birmingham is an efficient place to have meetings and do business," he says. "We have to create an identity for the city. People do not come for a building; they come for a place."

It was this kind of thinking which led Mr Taylor to conceive the advertising slogan "Birmingham: The Big Heart of England".

The idea is that it is a warm, friendly place whose communi-

ty's hotels. That number will undoubtedly increase as the £1.2bn worth of developments in Birmingham progress. City planners are determined to avoid the mistakes of their predecessors and in the current phase of development strong emphasis is being placed on the needs of pedestrians.

And at the International Convention Centre development 1 per cent of the expenditure budget has been set aside for the provision of works of art.

The building of the ICC has also prompted the city to hasten the process of tapping the potential of its canal system. Birmingham's waterway system will never rival that of Venice but parts of it will provide a focal point for visitors, allowing them to explore some of the city's industrial history and architecture.

Combined with events like the jazz festival and the Super Prix, the canals and rich industrial history can help Birmingham on the tourism map and, hopefully, play a part in ridding the city of its colourless image.

Michael Smith

marked absence of throbbing. Forget the post-theatre dinner: 10.30pm is bedtime in Birmingham, and that is when the pubs and restaurants close.

There is little consolation to be found in the day. If you want to naps in a Brummie, try arriving in the city with a couple of hours to spare and asking him what you should see.

Birmingham is a curiously soulless place, lacking the sense of history, tradition or culture that gives the world's more interesting cities their appeal. An awareness of this problem has prompted Birmingham to rediscover its canals and jewellery quarter, but there is an air of desperation about its efforts to exploit them.

There are interesting things to see around Birmingham - Stratford-upon-Avon, Warwick Castle, Ironbridge and the Black Country - but not in the city itself. The shops are functional and dull. The Art Gallery has a fine collection of Pre-Raphaelites and there is a good science museum, but that is just about it.

It is important to stress that local people are largely content with what Birmingham can offer and that few of these shortcomings would matter a jot were it not for the city's aspirations to international status.

Birmingham has nevertheless staked its future on the degree to which it can attract business tourism from the rest of the UK and overseas, so its ability to entertain is vital. It is making an effort with events such as its jazz festival, the Super Prix road race and a readers and writers festival; but a gulf still separates it from cultural parity with the likes of Frankfurt, Barcelona or Milan.

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**ENTERTAINMENT**

**Beer 'n' curry**

Once home in their cosy country cottages, they are reluctant to drive back into the centre for the evening.

The result is that Birmingham at night looks stricken by a neutron bomb: all the buildings still there, but the people destroyed. The only flurry of activity is between 10.30pm and 11pm when the pubs and bars disgorge their youthful clientele into the late night curry houses or the last buses back to the suburbs.

It would be wrong to suggest that there is nothing to do in the evening. True, there are only three cinema left; but there are also three theatres, a lot of restaurants, some discotheques, and the city's pride and joy Simon Rattle and the City of Birmingham Symphony Orchestra.

The visitor arriving in Birmingham today, however, might find his options limited. On the theatrical front, the Birmingham Repertory Theatre

and Birmingham Hippodrome are closed for the week. The Alexandra Theatre, renowned for its trouser-dropping farces of the Run-For-Your-Fur-Coat-And-No-Knickers-Please-We're-British genre, is open with a rib-ticking comedy called "Happy even". But all three theatres are about the launch winter-long pantomime seasons.

Turning to music, Simon Rattle is world-renowned as a conductor and constitutes an enormous, if isolated, feather in Birmingham's cap. But as for seeing the man, it is a case of catch him if you can: he is only due to perform 17 times in Birmingham in the 1988/89 season, and the tickets were sold before the ink was dry.

Where food is concerned, few cities can have as many restaurants as Birmingham and yet remain such a gastronomic desert. The city is consistently slighted by the world's good food guides - none of its restaurants gets a single rosette in the latest Michelin guide or a star from Egon Rosay.

The city makes great play of its numerous Indian, Pakistani and Chinese restaurants, and these do offer good food at economical prices. Few, however, have the sort of ambience to attract the business visitor.

There are also considerable gaps in the range of eating options. There are no cheery bistros, no cafes that spill out onto the pavement in the summer, no Japanese restaurants despite the considerable Japanese presence in the Midlands. And worst of all, nothing that reflects Birmingham's heritage or offers any local character.

Late at night, too, there is a marked absence of throbbing. Forget the post-theatre dinner: 10.30pm is bedtime in Birmingham, and that is when the pubs and restaurants close.

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SECTION IV

# FINANCIAL TIMES SURVEY

Although the economy is in fine shape, says Alan Friedman, a bitter and public battle is raging. Rich industrial concerns want to take control of banks, but the normally low-profile Bank of Italy fears that this could lead to serious conflicts of interest.

## The Bank stands firm

IN OVERALL terms, the state of the Italian economy has rarely looked better. The fruits of industrial restructuring since 1980 are plentiful, and corporate profits are continuing to grow healthily. Inflation is below 5 per cent and stable. The GDP growth rate this year looks as if it will be 3.5 per cent; capital inflows have been steady; and the coalition government of Prime Minister Ciriaco De Mita is even making headway in applying a medium-term plan to attack the country's gigantic public sector deficit. Italian industry is ever more conscious of the need to prepare for 1992, and while rationalisation in some sectors, such as telecommunications, remains painfully lethargic and politicised, progress is evident in others such as chemicals and electromechanical engineering. The great anomaly of the Italian economy remains the fact that, while the nation's industry is moving forward, its financial markets are still backward, incestuous and dangerously underregulated. The Milan bourse, for all the progress made in relative terms over the past decade, is still an insider's den of share rigging. The Consob regulatory authority still lacks the clout that



Governor Carlo Azeglio Ciampi, of the Bank of Italy (left) vigorously defends his view that industry must not be allowed to buy majority stakes in banks. Mr Cesare Romiti, Fiat chief executive and chairman of the Gemina investment company, disagrees.

## Italian Banking Finance & Investment

Bank instead. Now, the debate over industry and banks has reignited, and for two main reasons: industrial companies are flush with balance sheet liquidity; and everyone recognises the need to make Italy's banks more efficient ahead of 1992. As a result, the big guns of Italian industry have been trained upon Mr Carlo Azeglio Ciampi, the respected central bank governor whose opposition to allowing banks to be bought by industrialists is seen as an impediment to the already notable horizontal expansion by manufacturing industry into publishing, newspapers, insurance, unit trusts and other sectors. The Bank of Italy does not like to admit it, but Mr Ciampi has already taken a thrashing from leading industrialists and economists who have launched a formidable press campaign of public declarations in favour of industry buying banks. The central bank governor, in an interview for this survey, said he merely wished to preserve the regulatory and supervisory authority over the banking system that is enjoyed by his counterparts at the Federal Reserve, the Bank of England or the Banque de France. "I am not against Agnelli, Gardini, De Benedetti and Berlusconi buying minority stakes in banks," said Governor Ciampi, "but I am against them taking control of banks, because I am worried that there could easily be a conflict of interest in such a situation." Both sides of this debate - which has implications for the future ownership of some large Italian banks - are set out in

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the pages of this survey. Mr Ciampi's views are contained in an article that was prepared by the Bank of Italy, while the view of the industrialists is articulated in a separate article by Mr Mario Monti, a leading economist who is both deputy chairman of Banca Commerciale Italiana and a member of the executive committee and board of directors of the Fiat group, a company whose executives have been at the forefront of the drive to invest in the banking sector. Mr Gianni Agnelli, the Fiat chairman, speaking last June at his group's annual shareholders' meeting, became the first authoritative voice to talk of how industry could participate in the privatisation of Italy's largely state-owned banking system. Since last summer the list of those differing with the Bank of Italy's policy has included: Mr Guido Carli, the former central bank chief who served until a few months ago as a member of Fiat's executive committee and board director; Mr Sergio Pininfarina, the Turin-based president of the Confindustria employers' association; Mr Giovanni Goria, the former prime minister, the aforementioned Mr Mario Monti, who has made it a point to stress that he held his views before joining Fiat this summer; and Mr Cesare Romiti, the Fiat group chief executive who emphasises that it is not Fiat but Gemina, the financial vehicle he chairs and in which Fiat is the single biggest shareholder, that wishes to buy banks. The substance of the debate is no less extraordinary than the list of those bearing the message. Mr Carli, for example, has attacked the political interference implicit in the nomination by the parties of top bank executives, and in this argument he cannot be faulted. Governor Ciampi, however, while expressing his full esteem for Mr Carli, responds that: "I am as worried about a bank manager who obeys his industrial shareholder as I am about a bank manager who obeys his political overlords." It is no small irony for the political Bank of Italy, however, that the main support for Mr Ciampi's position appears to be come the political parties themselves. And the final decision on the banks-and-industry issue could come in the new anti-trust legislation under debate in the Senate. Mr Monti, in the most coherent expression of the industrialists' view, says that, in "an ideal world", banks and industry should be separate, but that the under-capitalisation of Italian banks means that a weak equity market and a stretched public sector cannot supply fresh capital - only industry can. Mr Monti also says that, by taking control of banks, industry will provide better management. The Bank of Italy replies that, firstly, it is simply not true to say that Italian banks are under-capitalised - a few banks are, but the national average capital ratio is now 13 per cent, up from 5 per cent in the 1970s. In addition, there is little evidence that the equity market cannot provide capital for privatisation share issues - it has done so in recent years for the sale of minority stakes by banks such as Banca Nazionale del Lavoro, and is doing so at present in the Mediobanca share offer. Finally, says the central bank, the total excess capital in the banking system amounts to 120,000bn, while the total capital deficiencies at a few institutions such as the Banco di Napoli amounts to less than 13,000bn. The solution, argues the Bank of Italy, is for cash-rich banks to acquire other banks, which might also contribute to rationalising the entire system with its 1,100 separate banks. Mr Marco Vitale, chairman of one of Italy's biggest unit trusts, points out that the problem in Italian banks is not only one of management, and disputes the notion that industrial managers are necessarily the most fit to run banks. Senator Guido Rossi, a former Consob chairman and the leading legislator involved in pressing for reform of the financial and banking sectors, says quite bluntly that he cannot see why banks would represent an attractive investment for industry as they are less profitable. Mr Rossi alleges that banks would be mere "pawns" in the hands of industrial companies. Former Premier Goria has

Continued on Page 8

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Both Nuovo Banco Ambrosiano and Banca Cattolica del Veneto are modern commercial banks, very strong in their own regions and making use of the latest electronic techniques.

Nearly 80% of Italy's import/export business is handled in our main geographical areas and we give our clients the very best of speedy and efficient banking support for their International operations.

### OUR FINANCIAL SERVICES

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La Centrale is a merchant bank. Its services include corporate finance, mergers and acquisitions as well as the launching of companies on the Stock Market.

Through Fiscambi, a holding group for financial services, we offer our clients leasing, factoring and real estate financing throughout Italy.

La Centrale Fondi is a mutual fund management company and is positioned among Italy's top performers.

Ambro-Italia operates a nation-wide network of financial consultants specializing in products of the Group.

### OUR GROWTH

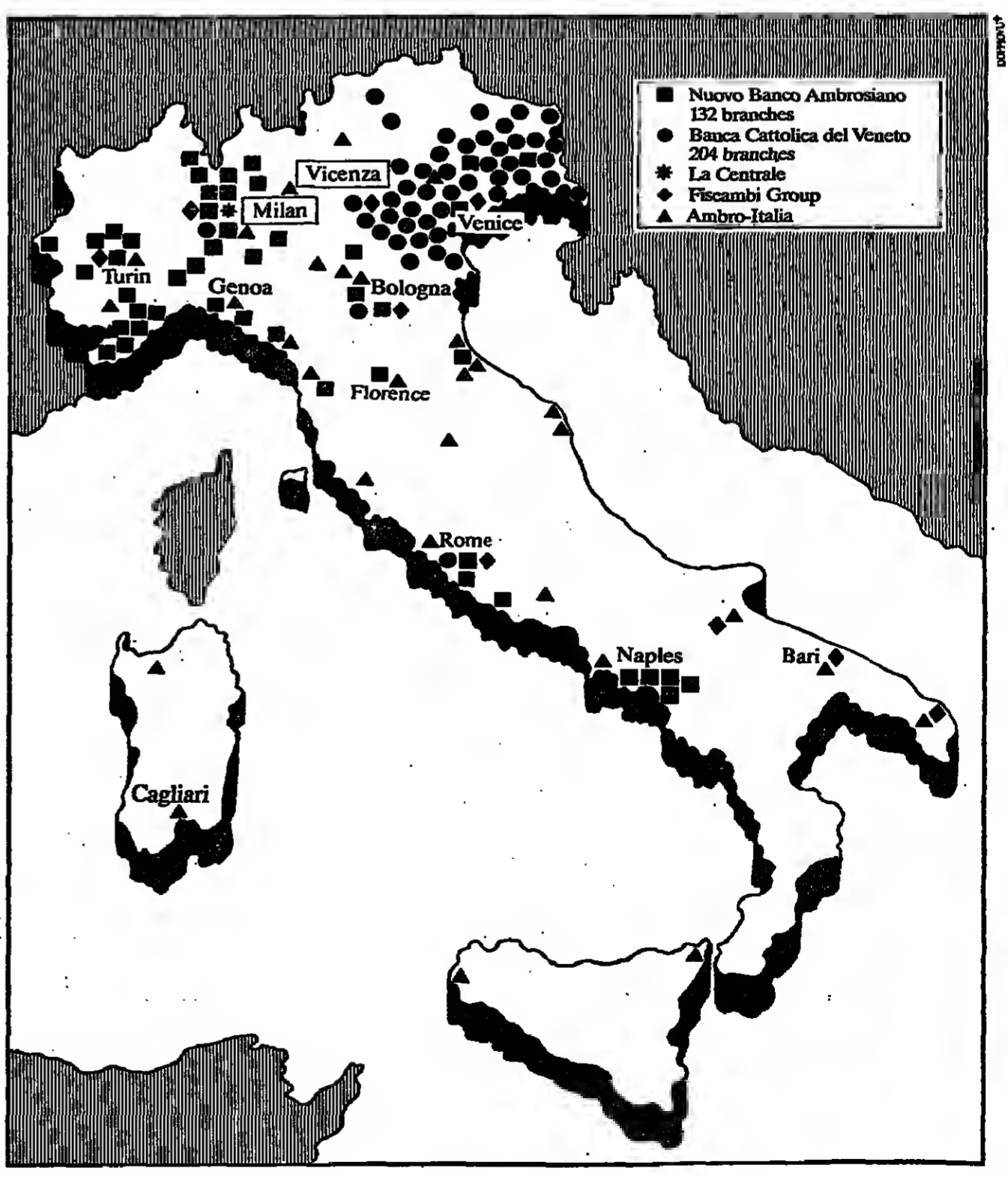
As a Group we were restructured only in 1985, but we are already showing healthy financial results - in many cases well above national banking averages.

Nuovo Banco Ambrosiano and Banca Cattolica del Veneto, as well as our Fiscambi subsidiary, are quoted on the Milan Stock Exchange.

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ITALIAN BANKING 2

The economy is in better shape than for many years

Investors display confidence

IN NO previous snapshot this decade has the Italian economy been smiling quite so broadly as it is at the close of 1983.

Good fortune is combining with a strengthening of economic policy to produce the highest growth rate for 15 years, stable inflation, rising disposable incomes, an expansion of industrial employment and capacity, and the beginnings of a credible policy for stabilising the country's astronomical public debt.

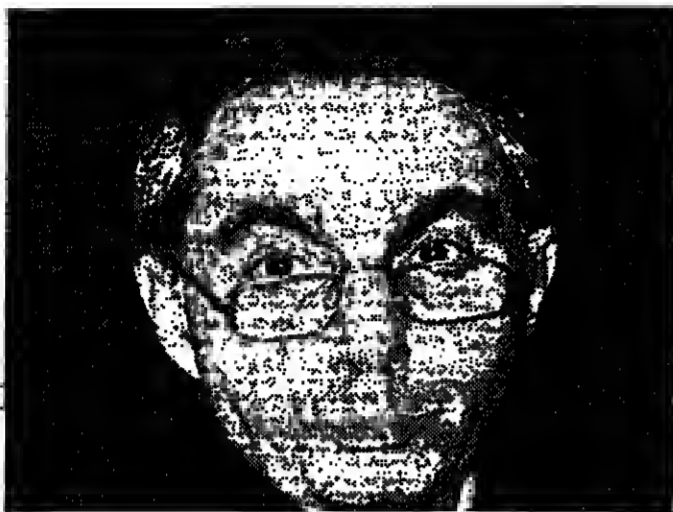
Investors have been demonstrating their confidence in a variety of ways. In manufacturing industry, spending on new plant and machinery has leaped by 8 per cent this year in response both to strong growth of internal demand of around 4 per cent and a robust pull from foreign markets. Industrial output rose in the first half of the year by 2.6 per cent (seasonally adjusted) compared to the previous six months, and by 4.4 per cent over the first half of 1982.

Not foreign investment in the first six months came close to £7,000bn compared to only £5,000bn in the same period last year, contributing to a £1,500bn increase in the Bank of Italy's official reserves. Total foreign capital inflows of £11,000bn (first six months) have helped carry the global balance of the balance of payments to a nine month surplus of £1,678bn against a deficit of £1,530bn in the same period last year.

On the domestic front, investment in government debt, vital for funding the public sector deficit, has been characterised by a drastic reduction in bank portfolios - £37,000bn in the first eight months - more or less compensated by an increase in household investments. Economic policy uncertainties in the first quarter halted the slight fall in government debt yields which had begun the previous October and led to a marked preference for short-term issues. By the end of September, maturities of one year or less counted for close to 50 per cent of all government debt issues, a proportion more than twice as high as in the same period last year.

Unofficial estimates suggest that this might push government spending on interest payments up as high as £36,000bn this year, around £4,000bn above the total target. However, a combination of high yields and strong liquidity has led to a major reversal of demand this autumn with a pronounced recovery in

Government forecasts (% increases)		
	1983	1984
GDP	3.8	3.0
Internal demand	4.2	3.5
Exports	5.6	4.5
Consumer prices	4.7	4.0
Government borrowing (%GDP)	10.9	10.2



Mr Giuliano Amato: now reviewing debt management policy

demand for four maturities. Mr Giuliano Amato, the Treasury Minister, is now reviewing debt management policy (or lack of it, according to many critics) with the aim of creating new instruments capable of lengthening the average maturity and lowering the interest rate costs of a total debt which passed one million billion lire in September.

Mr Amato can claim the lion's share of the credit for the autumnal shift in investor sentiment which was greatly influenced by the 1983 budget proposal adopted by the government at the end of September. For the first time in many years, an Italian government has begun to address the absence of any real discipline in Italian public spending mechanisms within the framework of a medium-term plan for stabilising the public debt.

But in Italy, the government's budget can be one thing, the final result another. Within the parliament, this

autumn's hard fought battle to abolish secret voting on budgetary and other issues should give the coalition stronger control over its supporters, but considerable damage to budgetary targets could still be wrought within the various parliamentary committees.

The importance of reaching the overall deficit target for next year of £117,300bn or 10.2 per cent cannot be overestimated. This decade has been a sorry tale of rising deficits betraying their original budgetary intentions - this year's final outcome will be in the region of £118,000bn against an original, vainglorious ambition of £103,500.

Mr Amato's plan is to balance current spending net of interest payments by 1991-92 and, as a beginning, the 1983 budget current spending deficit is targeted to fall from this year's £30,000bn to £21,000bn. The haste with which the government has had to plan since

it came into office in April shows up in more than a touch of budgetary improvisation, and there are many reasonable doubts about whether a clamp-down on fiscal evasion and a new regime for the self-employed can really produce the extra revenues which the budget proposal is counting upon.

In the meantime, fiscal deficits remain a source of demand expansion for an economy which could soon be pressing up against its capacities. Manufacturing plants are now running at levels of utilisation not seen since the beginning of 1980 and certainly, were it not for a further improvement in the terms of trade due largely to falling oil prices, the trade deficit would be much worse.

By the end of August, this had climbed to £7,266bn, a little more than £100bn above the deficit for the first 8 months of last year. After a mid-summer burst Italian exports had managed an 11.5 per cent growth in value over the year before while imports were 10.9 per cent higher. The energy deficit had fallen from £12,196bn to £10,334bn. Data on trade quantities suggests that in the first half, exports had risen by around 6 per cent and imports by 7 per cent.

The Bank of Italy remains anxious about a 5 per cent increase in industrial unit costs this year and an inflation rate which is firmly lodged around the same figure and is about 3 percentage points above the average for the countries the currencies of which form part of the European Monetary System's exchange rate arrangements. Monetary policy will remain largely unchanged next year with a monetary growth target of between 6 and 9 per cent.

Employment, meanwhile, is rising and parts of northern Italy are suffering skill shortages. The average numbers of those in employment was about 1.5 per cent higher than 12 months earlier, with a specially marked increase of 1.9 per cent in manufacturing industry, the improved output of which has hitherto been based on higher productivity and overtime.

John Wyles

ITALY'S ECONOMIC PROGRESS (%)										
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Prime rate (annual average)	19.93	22.13	21.54	19.19	17.67	16.56	14.18	12.74	12.72	12.72
GDP growth	3.9	1.1	0.2	1.1	3.2	2.9	2.9	3.1	3.6	3.6
Inflation (annual average)	21.2	17.8	16.5	14.7	10.8	9.2	5.9	4.8	4.8	4.8
Money supply growth	12.7	10.0	11.1	12.3	12.1	11.0	9.4	8.4	7.7	7.7
Credit to private sector	16.4	13.5	13.4	13.2	15.8	12.9	11.4	10.3	15.1	15.1

ITALY'S ECONOMIC PROGRESS (Lbn)										
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Public sector deficit	37,715	53,826	76,663	90,749	102,247	119,319	110,133	114,288	118,500*	118,500*
GDP	390,432	468,049	545,124	633,571	727,796	815,630	902,238	982,595	1,068,327*	1,068,327*
Public debt	228,240	283,130	361,564	456,543	560,693	682,564	793,096	908,983	1,006,075*	1,006,075*
Total financial assets (non-state sector)	385,461	455,619	542,814	655,267	785,597	928,281	1,094,823	1,243,688	1,339,005**	1,339,005**

THE STOCK MARKET

Departing Fumagalli chides Milan's 'club of insiders'

"THIS MARKET has been taken for a ride too many times. The big groups have manipulated it, prices have been rigged and the share deals have generally hurt the small investor... All investors here are like Jesus Christ: they are crucified. And the house in Milan is a club of insiders, made up of the big groups, a few shareholders and the brokers."

Strong words, these. But they do not come from a left-wing politician, nor from the leader of some shareholders' ginger group. The man who made the comments, seated behind his desk in an office just a stone's throw from the Milan bourse, is Mr Ettore Fumagalli, chairman of the executive committee of the Italian Stock Exchange and president of the European Exchange Committee, the organ that brings together the stock market leaders of the 12 member nations of the European Community.

Mr Fumagalli's words are unusual only because he is the man who is supposed to personify the Italian stock market. Most honest people involved in the Milan market will say the same thing in private. But having decided to stand down as chairman when his term runs out this month, Mr Fumagalli appears also to have decided to speak his mind, this time in public.

The bourse has grown in recent years and seen much change

The idea of the head of a stock exchange issuing an indictment of the very exchange he heads is certainly unusual. In fairness, Mr Fumagalli points out that the Milan bourse has grown considerably in recent years, that the last decade has seen the introduction of consolidated balance sheets, greater financial disclosure, the arrival of new investment banking players and the launch of unit trusts which have brought fresh liquidity and millions of new small investors to Milan.

To this must be added that foreign investors have been back in the market since the late summer of this year, making selective investments largely in the telecommunications and insurance sectors. Mr Fumagalli also notes that continuous trading is on the way, that new mixed firms consisting of both traditional brokers and banks are to be formed, and that Italy is Europe's fifth biggest market after the UK, West Germany, France and Switzerland. But is it really?

Milan's current total market capitalisation this autumn has stood at around £160,000bn (£123bn). That in itself is only 18 or 17 per cent of the nation's GNP, while the capitalisation of the London Stock Exchange is equivalent to nearly 58 per cent of the British GNP, and Wall Street amounts to 85 per cent of the US total GNP. By another measure, the Italian stockmarket's value is equivalent to only 12 per cent of the country's total financial assets.

In macro-economic terms, Milan is tiny. And it is inconspicuous. Without any laws against insider trading, and with half of all trading done on the telephone by a handful of big cor-

Market capitalisation totals only about 16 or 17 per cent of GNP

porate and financial players, it is not so hard to see why Mr Fumagalli has launched his unprecedented J'accuse against his own market.

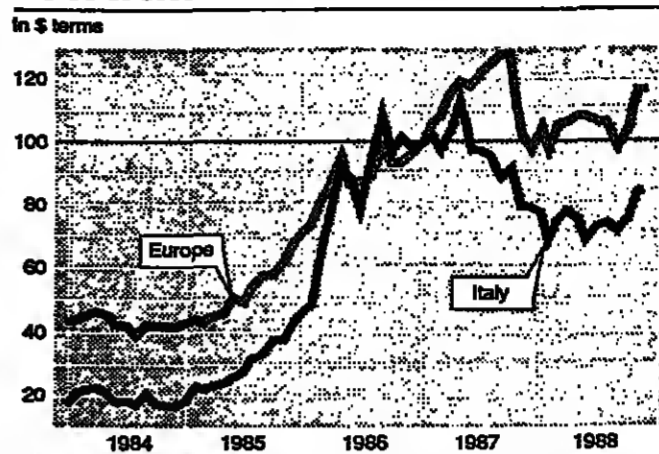
Perhaps the most striking thing about the bourse is that, set against the enormous progress of Italian industry in recent years, and the solid strength of the Italian economy, Milan is such a provincial and under-developed club.

Among the 200 quoted companies the average proportion of company stock that is actually traded on the Milan bourse - the float - is 25 per cent of issued share capital. Thus the actual capitalisation of Milan could be considered as one quarter of its total £160,000bn worth.

The market, meanwhile, sees active trading in only 40 or 50 shares, once again a quarter of the total. Some 40 quoted companies do not even have as much as 25 per cent of their shares available on the market, the new legal minimum. But the stockmarket regulatory authorities say it would be "unrealistic" to suspend trading in so many shares just to conform to a legal nicety.

Mr Fumagalli reckons the Milan bourse has had its image damaged by operations such as last winter's Ferruzzi-Montedison restructuring. The deal, by

FT-A World indices



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which Mr Raul Gardini's Ferruzzi group removed prize assets from Montedison as part of a debt reducing exercise, was sharply criticised for trampling over the rights of Montedison's 100,000 small shareholders. It has since "come right", thanks to a successful placing of newly-quoted Fer-

by Mediobanca, the leading merchant bank.

"The shareholders were practically told to jump out of the window. Information was minimal. The reaction was negative, because the market did not understand the operation and the Consob (stockmarket authority) did not intervene in a timely or orderly fashion," says the stock exchange leader.

Mr Fumagalli bemoans the fact that Mediobanca "has no real competition" in putting together big share deals such as the Ferruzzi operation. During the boom years of 1984-1986 smaller investment banks, such as Euromobiliare and Sige, began to poach some of Mediobanca's new issues business. Now that there are fewer new share issues - the main source of business for Mediobanca's challengers - the establishment bank is back in charge again.

"Maybe the Italian market is still too small and too weak to sustain big share deals that are not handled by the Grand Director," remarked Mr Fumagalli, in a clear allusion to Mr Enrico Cuccia, the 80-year-old honorary chairman of Mediobanca who still pulls many strings. At the end of the day, says the soon-to-be former stockmarket chief, "the Milan bourse is still a family affair".

Mediobanca, which has just had a huge chunk of its own shares placed in a partial privatisation, cannot be quoted in reply to the stock exchange chairman's comments, because Mr Cuccia has not given a press interview since he founded the bank in 1946.

A call to Mediobanca for this article resulted in a scolding from the secretary of Mr Vincenzo Maranghi, the secretive disciple of Mr Cuccia who now manages the bank: "You should know by now that we don't speak to journalists, ever."

The outgoing chairman of the Milan bourse sighs at the end of his interview, and gazes out of his window, mumbling about "cultural obstacles to change".



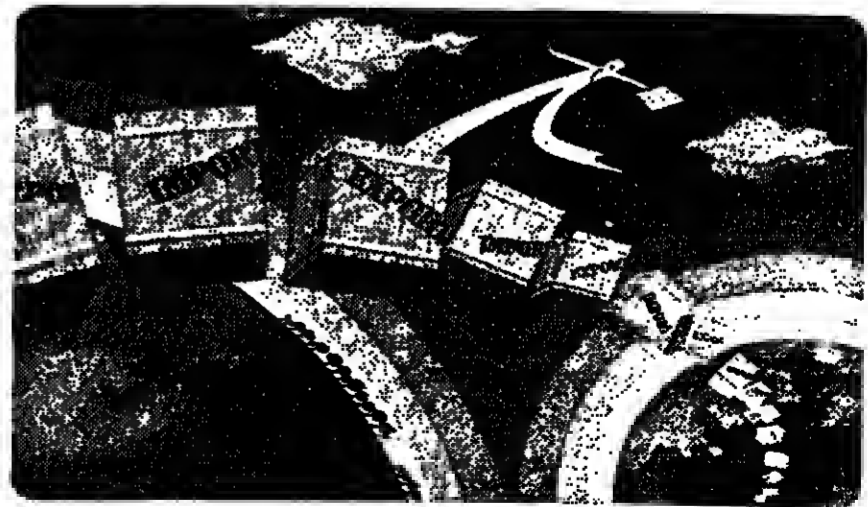
Mr Ettore Fumagalli: 'It's still a family affair'

Alan Friedman



An apparently hectic moment on the Milan bourse

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ITALIAN BANKING 4

The Consob: Alan Friedman assesses the role of the securities regulatory body

Legislative backing might add teeth

"MY OPERATING model is the Securities and Exchange Commission in the United States," says Mr Franco Piga, chairman of the Consob, Italy's stock-market and securities industry regulatory authority.

The Italian stock market authority is not, however, the SEC, and Mr Piga - a 61-year-old lawyer who has spent most of his life as a behind-the-scenes Rome civil servant and political operator in various ministries, and even took time out from the Consob last year to get elected as a Christian Democrat politician - is not a man who relishes the idea of direct confrontation with the market or with its leading protagonists.

His stewardship is thus that of a consensus politician rather than a hard-nosed regulator, and for this reason he has been much criticised by market reformers and much appreciated by the Old Guard leaders of Italian capitalism.

"I am a very measured person, a gradualist," explains the man who is meant to regulate Italian securities. In fairness to Mr Piga, it must be said that he lacks most of the arms at the disposal of an SEC chief. The Consob was only founded in 1974, and 14 years hence it is still without the legislative backing that might enable it to play a more concrete role in protecting the interests of the 4m small investors on the Milan bourse. Italy still has no anti-trust law, no monopolies and mergers commission, no rules on company takeovers, no laws to restrict insider trading and no law that would even require companies to put out full results including net profit figures on a half-yearly basis.

What Mr Piga has done is to labour silently and ardently to try and create a general structure of regulation for the market. His new guidelines for the Milan bourse are expected to be announced before Christmas.

The Italian stock market has grown considerably in recent years, but it is still a dim of share price rigging and insider trading and, as Mr Piga points out, half of all share transactions still occur away from the official Milan bourse. Nonetheless, Mr Piga himself cannot be moved to express strong opinions about the major issues on the table. For example, he says he would like to see a law against insider trading, but he



Mr Franco Piga: "we need a Consob that is more active in protecting the interests of the market"

becomes uneasy when asked whether there should be penal sanctions for serious offenders. "In Italy the question of prison sentences is for judges and not for me to speak of," he remarks.

On the issue of takeover rules, a highly controversial matter in Italian finance, Mr Piga maintains that he is "not in favour of a forced takeover bid for a company just because a certain equity stake has been acquired". The chairman of the stock exchange authority appears to be closer here to the views espoused by traditional Italian industrialists and bankers, who reject the idea of hostile takeover bids.

Those arguing in favour of a law which, as in the UK, would require public offers after a certain stage, cite the example of Mr Silvio Berlusconi's recent acquisition from Mr Raul Gardini's Ferruzzi group of 70 per cent of the stock of the publicly-quoted Standa retail chain.

In this deal Mr Berlusconi paid nearly double the quoted market share price for Standa, while thousands of small investors were left holding just under 30 per cent of the company's shares at a price well below the one paid in the takeover.

Had there been a takeover law in Italy, say the critics in Milan, the small investors would have been treated fairly. But Mr Lucio Rondelli, manage-

ing director of Credito Italiano, says he opposes a law requiring public takeover offers because "it would place companies in our country too much at risk". Critics respond that most Italian companies are already locked up in juridical and financial strong boxes that protect leading families and not the small investor, so there is no need to fear the spectre of open public bids.

Mr Piga is undoubtedly a hard-working man and his overall message is that Italian finance needs to move forward step by step rather than with a traumatic series of new regulations. He himself has been criticised in private by several bankers and brokers for having left the Consob in 1987, to serve first as industry minister in the interim government

headed by Prime Minister Amintore Fanfani, and then to become elected a Christian Democrat Senator in the 1987 election. He stood down as Senator after only one month, according to political commentators because he was not given a ministry in the new government of Prime Minister Ciriaco De Mita.

Mr Piga returned to Consob in August 1987, but critics said his electoral campaign had received help from some of the big companies he is meant to regulate. He flatly denies receiving financial contributions in the election, but when asked whether he was given the use of free private jets for the campaign by some of Italy's biggest companies Mr Piga says: "I don't want to respond to that question."

Mr Ezio Pungelli, president of the executive committee of the Milan bourse, comments on Mr Piga's handling of Consob by saying: "We need a Consob that is more active in protecting the interests of the market."

The Consob chairman himself is optimistic that over time it will be possible to better regulate the Italian stock market and he stresses that given the relative youth of the Consob, it has already taken "giant steps" toward better protecting the interests of investors. As with other issues of public regulation in Italy, Franco Piga says that to improve the state of affairs at Consob the most important ingredient will be time.

Alan Friedman

UNIT TRUSTS

Horizons widen

THE RISE and rise of the Italian mutual fund business in 1985 and 1986 - and its derivative effect on the stock market itself - has been well documented. However, as with the industry worldwide, trends over the past 12 months have been less happy.

At the end of 1984, the assets of the Italian mutual funds totalled just L1,152bn. By the end of 1985, the figure had risen to L15,782bn. A year later it had reached L65,077bn (about £28bn). This compares with the £42bn which the 60-year old unit trust sector in Britain currently manages. In short, the Italian mutual fund groups established an industry of almost three-quarters the size in a fraction of the time.

Since then, the pattern has been one of modest decline. The value of the funds assets dropped to L58,45bn by end-1987, and the current 1988 figure is put at about L52,425bn. Since mid-1987, according to figures from the state-owned IMI group, there has been a steady net outflow of funds, though the rate of net redemptions slackened noticeably during the summer.

This, it should be noted, has not prevented a growth in both the number of funds themselves and the number of new entries into the industry. The number of funds under management expanded from 42 in 1985 to 60 in the following year, and 72 by the end of 1987. In the current year, the figure is up to well over 100.

Equally, the number of mutual fund companies increased from just 25 in 1985 to 38 by end-1987. In the current year, another nine players have arrived.

Virtually all these funds have been invested in domestic securities to date. The freedom to set up internationally-or-

ented mutual funds has only become effective in the current year, and as one mutual fund operator notes delicately, "The processing of new funds takes a bit of time". The launch of new funds, which are oriented towards non-Italian equities, has occurred with great fanfare in recent weeks; the two most prominent are managed by Nuovo Banco Ambrosiano and by the Istituto San Paolo di Torino.

Domestic funds concentrating predominantly on the equity market, however, are in the minority of the 105 funds available. 45 are bond (income) funds, and another 44 are "balanced funds". Only 20 can be classed as equity funds.

Nevertheless, it is equity funds which throw up the stars in performance terms this year, with the best performing fund managing a rise of 17.9 per cent between January and September. It has not always been that way, however, over three years. IMI calculates that the equity funds have, on average, managed a gain of about 45 per cent, just beating the BCI market index, while the income funds have underperformed with a rise of about 35 per cent.

On a two-year or one-year view - obviously encompassing the end of the bull market - income funds have tended to perform better. Over the three months to end-August there was little comfort all round; all three categories significantly underperformed the Italian stock market.

It is worth noting that the charging and pricing of funds is slightly different from that in the UK. Most Italian mutual funds have a front-end load, which ranges up to about 6 per cent (in general, somewhat higher on the equity funds) plus a much smaller annual

management fee. The front-end load is paid when the funds are purchased, but there is then no bid-to-offer spread.

A few funds have moved away from the front-end charging system, however, opting instead for a higher management fee, part of which is performance-related. In this case, the annual management fee might be set at around 2 per cent and the performance fee take the overall charge up to 2.5 per cent plus.

The mutual fund industry is fortunate to be undergoing its not unexpected period of consolidation when competition from other savings - aside from the formidable return on government bonds themselves - is only embryonic. Closed-end funds simply do not exist and the life insurance savings market is under development.

Private discretionary management is a more forceful threat, but tends to attract higher net worth individuals. The one area which is opening up is the international dimension. The freedom to operate overseas-invested mutual funds has only become a practical reality in 1988, and, in the view of some observers, the flow of such funds to the market has been carefully regulated to prevent any sudden rush of external investment. Nevertheless, it does seem that there are an increasing number in the pipeline.

And the pressures for further change are considerable. In a year's time, the European Community's directive on collective investments in transferable securities becomes effective, requiring countries to have legislation in place which enables collective investment schemes to compete freely throughout the community.

Nikki Tait

FINANCIAL SERVICES

Scope for innovation grows

FINANCIAL services, like so much of the Italian financial scene, are in a state of flux. Old-established savings methods are being challenged by the need - and, from certain quarters, domestic desire - to introduce fresh options. This follows increased wealth, some regulatory freedoms, and a growing awareness of what international counterparts can provide.

A couple of points are worth noting at the outset. For all its recent advances, the Italian economy remains heavily cash-oriented. It is reckoned that the amount of cash in circulation is roughly half that of the US, and several times as high as in other similar-sized western countries.

On the one hand, this appears to offer great potential. On the other, given the tax-evasive elements, it can be argued that the cash economy will remain a considerable hindrance to the expansion of the financial services industry, where registration of an individual's income and wealth is a necessary corollary.

The second point is both encouraging and disheartening. On the plus side, Italy does have a remarkably high savings rate, put at over 30 per cent of disposable income. Go back a few decades, and such monies usually found their way into interest-earning current accounts in the country's vast array of banks. Unfortunately, more recently the trend has been toward government bonds, again usually purchased through the banks.

The problem is that income from these enjoys fairly favourable tax treatment, and given the need to finance the chunky Italian State deficit, the yield available is generous.



Inholding's Giovanni Franz: aiming for 750 intermediaries

At present, the net return of around 12 per cent is attainable, which alongside a 5 per cent inflation rate is a formidable marker for other savings mechanisms to beat. Nor, it should be added, do any of the other savings options - life insurance, personal pensions, mortgages - benefit from substantial compensating tax breaks.

That said, there is clearly some scope for product innovation - witness the heady reception enjoyed by unit trusts in 1985 and 1986. Italy, for example, ranked 14th among 17 European countries in terms of the annual spend per head on life insurance in 1986. The figure was put at a mere \$46.2, compared with Britain's \$479.3, and Switzerland's heady \$638. Only Spain, Portugal and Greece ranked lower.

The relatively low figure is explained by the strong family tradition, a high level of premiums, and by the fact that Italy's wealth only arrived recently.

"We were a poor country," comments Mr Antonio Corti, of Letina Assicurazioni, one of Italy's larger insurance groups. "People had more immediate needs."

That said, life business has been something of a growth area recently - although it is still estimated that only 15 per cent of the population hold any form of life policy. The trend has been very much towards "with profits" savings policies, rather than straight term insurance - a reflection, suggests Mr Corti, of the sorry state of the social security system and a genuine desire by individuals to see some of their increased wealth provide for retirement. The growth in straight life cover, he predicts, will be considerably slower.

The mortgage market is another potential candidate for change. At present, most are provided by the banks. Conventionally, these account for up to only half the cost of the property, and are repayable over a relatively short-term - say, 10 to 15 years. This, in turn, has provoked the development of a much more expensive secondary mortgage market.

Such possibilities mean that as much attention is being paid to distribution networks as to products themselves. The latter, after all, can always be bought in from existing experienced players, reluctant to tackle the Italian market on their own. It is also worth noting that the concept of the independent broker has little meaning in Italy: individuals may take advice from a fee-based "commercialista", but will still traditionally do whatever transaction is involved through a bank.

Inholding, the new privately-owned financial services group being set up by the Benetton family, is a good example of this distributive thrust. The company was started five years ago, born of some industrial service (factoring and leasing) interests which principally served the industrial arm of the Benetton group.

In 1986, some former Citicorp employees came into the organisation to form Inholding, which specialises in bond trading and swaps. But it was less than two years ago that the key Incapital Investments operation was set up - an ambitious attempt to create a national sales network throughout Italy.

At present, according to Inholding's managing director, Mr Giovanni Franz, 120 offices have been established, encompassing 450 intermediaries. The aim is to increase the latter figure to around 750 by 1989.

With shades of the Benetton retail concept in the background, the idea is that area managers should provide their own office accommodation and be rewarded on a commission basis. They will however be provided with an exclusive range of financial products to sell.

Incidentally, the banking network has been slow in coming, at least on one score: the financial services game in Italy is particularly user-friendly. Such is the diversity of banks, that a universal plastic card has been designed, under the name of "Bancomat. It will liberate cash from any wall. For that relief, much thanks.

Nikki Tait



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ITALIAN BANKING 5

Merchant banking is on the threshold of change

PROFILE: FRANCESCO MICHELI

# Anglo-Saxon attitudes may be overtaken by the crash

"MERCHANT BANKING in Italy," suggests Mr Edi Cetin, director of SIGE, the investment banking arm of the state-owned IRI group, "is on the brink. It is undecided between the Anglo-Saxon model and the Japanese or German model."

Mr Cetin seems to think that the latter route will be taken. Others are less convinced. What few question is that this issue lies at the heart of the merchant banking community's development.

What Mr Cetin means by the Japanese/German model is a system by which merchant banks play a key role in providing medium to long-term development capital, take minority stakes in unlisted companies, and generally foster the future industrial base of the country. The Anglo-Saxon model, applicable in both the UK and the US, points to the more pioneering and glamorous world of takeover advice, generating and tying up strategic (largely equity-based) deals and of assisting companies to take full advantage of the capital markets.



Euromobiliare's Guido Roberto Vitale

quest appeal. A second reason for looking to the equity market may have been more technical. As companies recovered, cash flows started to grow significantly, and some companies appeared undercapitalised. A third factor was probably the buoyant market levels themselves.

Whatever the reason, the outcome was a fairly phenomenal jump in the importance of the equity market in 1988-89 and, with it, a commensurate increase in Anglo-Saxon style

**What the 1980s did help to foster was a raft of smaller 'merchant banking' operations, more in the development capital mould**

merchant banking activity. Proof of this development is readily available in figures issued by the Milan Stock Exchange. Capital issues rose to a heavy 99 in 1986, raising a total of L14,488m. The number of shares listed jumped from 235 to over 300.

But the momentum did not last. Last year's worldwide fall in stock markets could only discourage equity-financing. Yet the story, perhaps, does not end there. Mr Cetin, for example, argues that the situation was more one of "chicken and egg." The larger industrial groups, he points out, had already lost interest in the stock market's development and that attitude compounded the market's decline.

companies - Agnelli at Fiat, for example, de Benedetti at Olivetti or the Pirelli family - increased their own personal levels of control.

In mitigation, it might be pointed that there have been three large stock market operations recently. Generali, Ferruzzi and the Mediobanca issue itself. However, the less optimistic observers view these as slightly exceptional operations - Mediobanca, for example, concludes a lengthy saga - tending to signal the end of an era, rather than the start of a new trend.

What the 1980s did help to foster, however, was a raft of smaller "merchant banking" operations, more in the development capital mould. This trend was helped significantly

when the Bank of Italy permitted commercial banks to take majority stakes in the merchant banks early in 1987. Today, the Associazione Italiana delle Finanziarie di Investimento (AIFI) numbers over two dozen members. By the end of 1987, it reckons that these organisations had investments totalling L449bn in over 200 situations.

Aside from the development capital role, there is also widespread belief that mergers and acquisitions will remain a busy area. Like many European countries, Italy has many small businesses founded in the post-war era, whose proprietors are now approaching retirement age. The merger or straight sale of such operations can sometimes be negotiated without intermediaries, but professional advice is also sought. And a slightly defensive attitude seems to have permeated ahead of 1992, with a general realisation that some of these firms could look vulnerable as markets open up.

Not all merchant banks are convinced that this will be the limit of their activities. Both the quoted Sopaf group and Euromobiliare - two of the more significant new players on the Milan scene - talk of new issues in the pipeline, while Mr Vitale expresses a strong hope that the equity-based route will be taken. There is also the growing international dimension: Euromobiliare, for example, says that cross-border work accounts for a hefty 70 per cent of its M&A activity.

Both companies have, or are in the process of cementing overseas, Anglo-Saxon links. This autumn, the American investment bank, Kidder Peabody, took an initial 5 per cent interest in Sopaf, while Euromobiliare is currently negotiating with Midland Bank in the UK.

In short, if the merchant banking community is on the brink, it does not seem to have entirely sealed its fate yet. And, given the near-monopoly position enjoyed by Mediobanca, the rise of new institutions will not be easy.

# Milan's maverick decries the 'medieval structure'



Francesco Micheli: out of tune with capitalism's drawing-room

FRANCESCO Micheli, one of Italy's most dynamic new breed of financiers, admits that he has enemies.

It would be hard for him to do otherwise, given the fact that the 51-year-old managing director of Sviluppo, a new securities house and investment banking group, has been vilified on several occasions by members of the Old Guard of the Italian business establishment.

Mr Micheli's "crime" has been to help pioneer the use of stock-market raids, hostile takeover bids and other Wall Street-style techniques on the Milan bourse.

He is best known in Italy as the man who, in 1986, engineered the hostile takeover by

Sviluppo is 70 per cent owned by Finarte, the publicly quoted company which is part art auction house and part financial business. Finarte has been Mr Micheli's traditional vehicle for deal-making, but now he has shifted all financial operations to Sviluppo.

In recent months Mr Micheli has been in the Italian headlines because he bought a 10 per cent stake of Euromobiliare, the investment bank that was the first to try to compete with Mediobanca, the powerful institution which still dominates Italian high finance.

But Mr Micheli's idea of merging his interests with Euromobiliare ran into opposition, according to some because of this maverick's

**His role as a freelance financier is being emulated by other operators, who are also teaming up with foreign institutions**

the Montedison group of the Benoni family's BI-Invest financial empire - a corporate battle that brought the wrath of traditional Italian industrialists and bankers down upon Mr Micheli and upon Mr Mario Schimberni, the Montedison chairman who was eventually to be ousted from his job.

It is now three years since the BI-Invest takeover. Mr Micheli is enormously wealthy as a result, but despised by leaders of the *Salotto Buono*, or Good Drawing Room of Italian capitalism.

Last year he launched his new investment banking company with Britain's Morgan Grenfell and Lloyd Adriatico, the insurer controlled by Swiss Re, as minority partners.

The share capital of Sviluppo is L40bn. The staff of 58 financial men and women includes executives poached from SIGE, the investment banking arm of the IRI, and already in its first year (1987) Sviluppo produced a L6bn profit.

rather brusque style of doing business. At the time of writing, Britain's Midland Bank was in negotiations to take effective control of Euromobiliare instead.

Mr Micheli himself is one of the new generation of Italian financiers who decries the "medieval structure" of Milan's clubby group of big company players. The old system which concentrates corporate finance into the hands of a very few bankers and industrialists is threatening to stifle Italy's chances to be more competitive in the 1990s, he maintains. He should know, because he has worked for 30 years in the Milan financial world, first in the stock market, then for IMI, and later at Montedison in the 1970s.

Today Francesco Micheli is an outsider who nonetheless has a certain clout. His role as a freelance financier is being emulated by other independent operators who are also teaming up with foreign institutions. The problem for operators such as Mr Micheli is that most big Italian companies are family-controlled, and very nearly bid-proof. Outsiders are therefore still very much outside.

Alan Friedman

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NET INCOME	340

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The contents of this statement, for which the directors of Istituto Mobiliare Italiano are solely responsible, have been approved by the Council of Section 57 of the Financial Services Act 1986 by Arthur Andersen & Co., as an authorised person.

ITALIAN BANKING 6

Foreign banks: visiting teams often need to acquire local players

Costs weigh heavily on Barclays

MUCH IS made by Italian bankers about the threat of competition from foreign banks in the 1990s...

for these domestic networks. Midland Bank is negotiating to take control of Euroobli...

to steer the Milan-based bank and para-banking group out of losses...

thus a not inconsiderable drain on the Barclays group balance sheet...

able core banking operation surrounded by useless pieces and high overheads...

VENTURE CAPITAL

'Find five friends...'

VENTURE CAPITAL in Italy begins as a matter of definition. On the one hand, any formalised financial industry...

bluntly in 1986, new venture capital investment in Europe were reckoned to total 1,923.3m Ecu...

gains tax of almost 50 per cent when it exits. In this case, the less risky backing of an existing business obviously becomes a preferred course...

EXTERNAL BORROWING

Bonds should offset loss of home finance

FOR ITALY, the integrated capital market in a post-1992 Europe holds special challenges. While it opens new vistas of investment opportunities...

Paulo di Torino estimate that less than 3 per cent of the Government's total borrowings are raised outside Italy...

ings had ballooned to L6,076bn, and the trend is expected to be repeated this year. To combat the increased attention for investors' loyalties...

have plagued the Milan Stock Exchange. Also, investors in those countries with double taxation treaties with Italy may recoup the 12.5 per cent withholding tax...

Limban. Italy then swapped the proceeds of its new bond into floating rate funds at about 25 basis points under Libor...

VENTURE CAPITAL

reduce the life of the credit to four years. But the SAFIM deal was launched almost simultaneously with a \$100m seven-year revolving credit for Agusta...

Instead, a raft of small-to-medium sized investment houses has grown up, variously owned by groups of local businessmen...

What Mr Colonna goes on to add is that the fund will always look for a majority stake. This is because it knows that, when it needs to exit, it will usually sell either to a larger company or to the management itself...

Several recent legal changes have made it easier for Italians to invest abroad

Perhaps the country's most successful product with international investors has been its Ecu-denominated Treasury bonds, known as Certificati di Credito del Tesoro denominati in Ecu (CTEs).

Twice in 1988 Italy has tapped the Eurobond markets, each time raising \$1bn in a fixed-rate security that was later swapped into floating rate funds.

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PENSION FUNDING

Anxiety over state 'lottery'

PENSIONE and previdenza sociale (pension and social insurance) are loaded words certain to elicit lively reactions from both pensioners and the workers whose monthly contributions foot the social security bill...

Moreover, politics continues to be central to the debate about INPS and pensions in the future. Some of the disaster sirens are being sounded by pressure groups...

There must be a better way. Labour lay-off scheme has guaranteed wages during economic recessions. GIG reached a peak in 1984 with support for 616m hours...

about 17m. At Banco di Roma the employer adds 5.05 per cent of salary to the 2 per cent contributed by the employee. The pension amounts to 0.5 per cent of salary (with ceiling for calculation of L45m) for each year of service...

The battle over pensions is heating up and the debate suggests that those who presently pay social security contributions are justified in being concerned about the pensions they will receive on retirement...

David Lane



ITALIAN BANKING 7

Government securities in huge demand

High volumes lift the secondary market



Mr Giovanni Paladino: 'banks should be lending to the economy, not to the state'

A DELUGE of demand flooded the Bank of Italy at the beginning of November when the conditions were announced for the issue of Buoni Poliennali del Tesoro (BPT) - medium-term Treasury bonds. Everybody wanted part of the action and this led to massive over-subscription. Market operators sought more than 1,300,000bn, fourteen times over-subscribing the 10,000bn of bonds on offer.

"The demand was absurd," said a senior Treasury official. "If the minister had decided to enlarge the issue it would have brought Italy's financial market to a complete standstill. Operators would have been badly squeezed if the issue had been multiplied just three or four times. In order to pay, they would have been compelled either to turn to the central bank, which could have charged interest rates as it pleased, or to face exchange risks by borrowing abroad."

Over the same period, between April and September, the Treasury made six issues in monthly operations for a total of L10,550bn of CCT. There were L35,810bn of BTP (generally two issues each month, one of three years and the other of five) and 3,500bn Ecu of CTE. The figures are enormous. "The issue of government paper dominates the financial market," observed the senior Treasury official.

Politics has played another part in determining the movement of interest rates on Italian government securities. "The elections last year and the uncertainty which continued afterwards were reflected in market sentiment. For more than 12 months we had difficulties in issuing medium-term bonds," said the official.

High interest rates during 1988 have been caused by a combination of uncertain market sentiment and massive sales of government securities in the secondary market by the mutual funds," said Mr Paladino. He added that Italy's banks also helped to depress the secondary market by selling Treasury bonds and certificates from their own portfolios.

enlarged in October to deal in 30 securities, representing about one-third of the volume of bonds traded, and a non-regulated over-the-counter market.

The market is made by 19 primary dealers (18 major banks and the IMI subsidiary Sige) who operate a screen-based dealing system with each supplying firm bid and offer prices for at least five government or government-backed securities. In addition, there are more than 150 dealers including mutual funds, insurance companies and other banks. The Bank of Italy, which with the companies and stock market commission Consob has responsibility for supervision, is also a dealer.

The authorities report that the system worked satisfactorily during its first four months. Average daily trading amounted to L220bn and the bid-ask spread was contained at an average of 13 basis points. "The secondary market had been an arid tundra, present but nobody could say exactly where. Though improvements are needed in the new market, it has worked better than expected," said the Treasury official.

In the past, indications about market sentiment given by the secondary market were usually not very useful. However, we expect the regulated secondary market to provide us with a reference point for issues of securities in the future," he added.

It has not needed the secondary market to show the recent abrupt change in sentiment. This was clearly demonstrated by November's issue of BTP. The Treasury will now find it easier to attain its objectives of lower interest rates and increased life of debt.

"Caution has governed policy on rates. We have modified market preferences from floating to fixed rates, thus making debt easier to manage. And we can now conduct expectations downwards," said the senior Treasury official. New securities are being considered to lengthen the life of debt.

"Fixed rate nine or ten year issues with the option of early redemption are a possibility," he confirmed.

LEGISLATIVE REFORM

The first slow steps

WHAT KIND of a face will Italy's public sector banks present in the 1990s? Under prompting from the authorities, bankers and politicians are bending their minds to the question.

Part of their attention centres on the corporate form which banks should take in the future. Part concerns the organisational model which banks should adopt. And another major issue is whether or not to revise Italy's 1986 omnibus Banking Law.

If the Bank of Italy gets its way, the foundations and associations which are today's public sector banks will be replaced by joint stock corporations. This would mean a significant change for large, historic institutions such as the Monte dei Paschi di Siena, the Istituto Bancario San Paolo di Torino and the Cassa di Risparmio delle Provincie Lombarde, as well as the whole savings bank sector.

Behind the central bank's proposal is the belief that the joint stock corporation is the most appropriate form to encourage a business approach to banking. Transformation would provide clearer ownership, permit an opening to outside capital and ensure greater accountability. In particular, judicial change would allow a number of public sector banks to approach the stock market more easily.

However, strongly vested interests could be challenged. For example, the boards of public sector banks, from the large public law credit institutions to the smallest savings banks, reflect the balance of political power. With a quota of profits to be distributed for local good works, board members have their hands on practical means for tending local patches.

The Bank of Italy's solution offers reassurance. The form of foundations and associations would continue, thereby maintaining historical and local links without upsetting the political balance. They would have a new role as controlling shareholder, a position which would facilitate the moves towards mergers which the authorities are encouraging.

While the transformation of public sector banks into corporations has not yet overcome legislative hurdles and remains merely a proposal, concrete

steps have been taken towards the creation of gruppi plurifunzionali, or multi-function groups. "The group model enables both private and public sector credit institutions to supply a wider range of services without losing the advantages of specialisation," Mr Ciampi said earlier this year.

The central bank's governor noted that it is an organisational solution the validity of which is independent of the specific requirements of the Italian banking system. A 1986 law "has given both the supervisory authority and banks' governing bodies access to the information needed to monitor the performance of the subsidiary companies of a group headed by a credit institution," said Mr Ciampi. Similarly, in the alternative configuration, where a non-bank financial

company heads the group, supervision is on a consolidated basis.

The push for change is aimed at banks' operations as well as their corporate structures. Last year the interministerial committee for credit and savings decided to liberalise the rules governing medium and long-term lending, previously restricted to savings banks and the special sections of the public law banks. The Bank of Italy issued a circular at the end of March which put the committee's decision into effect. With the exception of the very small rural banks and branches of foreign banks, all Italian banks are now subject to the same rules on medium and long-term lending.

The vexed question of branches, the numbers and locations of which have been tightly controlled by the central bank through a series of branch plans (the last in 1986), should become less contentious. Greater scope now exists for banks to make their own decisions on networks. In their March 1988 circular, the authorities provided instructions governing the transfer of branches. Flexibility, auton-

omy and response to market conditions seem to be the new watchwords.

The central bank's efforts are directed towards stimulating greater competition and higher efficiency which, if they bear results, should be good for the banks' customers. But the customer should also benefit when Italy enacts legislation on banking transparency.

The widespread belief among customers that banks are less than honest is fostered by opacity in conditions and lack of clarity in the presentation of statements. Legislation under consideration by the Italian parliament will not only satisfy EC requirements, that there should be regulation of bank contracts to the family sector by the end of 1989, but could also help dispel suspicions that banks cheat.

Mr Ciampi told a parliamentary commission that legislation should lay down principles rather than impose a set of rigid rules on transparency. He wants a succinct and elastic law which will delegate the detailed implementation to the interministerial committee on credit and savings and to the Bank of Italy.

ABI has not waited for legislation to be enacted. It has already promoted a scheme among its members aimed at transparency and the publishing of conditions of interest rates and charges to customers. ABI has defined standard forms and methods to help customers understand what they are paying for bank services. "It is a concrete step which should not be undervalued," said Mr Ciampi.

Italy is one of the few industrialised world that has not rewritten its banking legislation since the 1930s. And clearly there are a range of issues which could be included in a new Banking Law.

However, the central bank favours a series of amendments to modify the 1986 Banking Law rather than wholesale redrafting of the legislation. Governor Ciampi and his colleagues are not saying so, but they clearly have nightmares just thinking about the prospect of turning over a matter as serious and detailed as the rewriting of the nation's banking legislation to members of the Italian parliament.

David Lane

The central bank's efforts are directed towards stimulating greater competition and higher efficiency

David Lane

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ITALIAN BANKING 8

Commercial banks' problems remain unsolved

# Bad loans hard on savings banks

"THE RATE of increase is slowing and this suggests that the worst is behind us," said Piero Barucci, chairman of the Italian Banking Association ABI. Mr Barucci was painting a lighter shade to the bad loans which continue to discolour the accounts of Italy's banks.

In 1987 the value of loans in default rose by 16.2 per cent to reach a total of L23,855bn at year-end. The increases in the previous two years, which provide the grounds for Mr Barucci's optimism, had been 18.5 and 21.6 per cent. Nevertheless, default equal to 7.2 per cent of lending, the Bank of Italy's figure which some bankers consider an understatement, is no small matter of concern.

Savings banks have been hit hardest by non-performing loans. While the ratio of default to assets has been declining in Italy's principal banks, the *cassa di risparmio* face a worsening situation. At the end of last year default among Italy's savings banks was 8.7 per cent of their overall lending, a reflection of local emphasis and a tendency to lend to small and medium-sized businesses. "Certainly the case of the *Cassa di Risparmio di Prato* is a



Mr Piero Barucci: attention needed to staff costs

problem of very high default," remarked Mr Barucci.

Rising default was, however, only one of several negative features which characterised Italian banking last year. When banks announced their results in the spring, it became clear that the expectations of a poor year had been fulfilled. Overall the banking system's gross operating margin fell by 14.8 per cent. This was caused partly by a collapse in earnings from securities dealing. After reduced provisions and taxes,

1987's collective bottom line showed a drop of 10.1 per cent in net profit compared to the previous year.

But the relief of bank boards, performance has since picked up. Mr Barucci noted that the results this year have improved. ABI published the half-year results of the country's 60 largest banks in October and the association's chairman pointed to the advance of 11 per cent in operating margin and 9 per cent in intermediate margin compared to June 1987. "Although the banks might not repeat 1986's results, the current year will turn out appreciably better than last," he predicted.

Widening interest rate margins have been the main contributor to the improvement. During 1987 the difference between average rates on loans (13.89 per cent) and deposits (7.02 per cent) was 6.87 per cent. Banks have been able to increase the spread this year, reaching 7.27 per cent in September. "Traditional banks which base their business on funds intermediation rather than securities dealing are doing best this year," confirmed Mr Barucci.

It seems, therefore, that

Italy's banking system is recovering lost ground by raising prices rather than cutting its costs. Indeed, from figures in the Bank of Italy's annual report, published at the end of May, it seems that management's control over costs has slipped. The salary bill in 1987, which accounted for 71.8 per cent of total operating costs, was 10.1 per cent higher than in the previous year. Though this was partly caused by more employees, up by 1.1 per cent to 311,600, most of the escalation was due to salary rises significantly above the level of inflation.

"Great attention needs to be given to costs, particularly staff costs," said Mr Barucci. However, he noted that the salary bill in Italy continues to climb. "We are about to start negotiations on a new national contract. I hope that the result will not only keep costs in check but will also introduce flexibility in working practices which will allow banks to boost their efficiency," he said.

Overall figures for Italy's banking system suggest that the problem of over-staffing has not yet been tackled. And experience on the customer's side of the counter shows that there is considerable scope for improvements in efficiency and service. The new labour contract will provide an indication of the determination of Italian bankers to tackle one of their trickiest problems.

But recent experience of lack of collective will to grasp net-works is not encouraging. Notwithstanding frequent exhortations from the central bank, little progress has been made on bank mergers. The process of concentration which would cut jobs and could boost efficiency is bogged down by political and interest, leaving customers to pay the price of fragmentation and deeply-rooted inefficiency.

RAINER Masera is probably one of the cleverest men in Italy, and he has never seemed nervous about showing it.

His intelligence has underpinned a career of precocious achievement which, via an Oxford doctorate in economics, the Bank of International Settlements and senior positions in the Bank of Italy, has delivered him at the age of 44 to the top administrative job at Istituto Mobiliare Italiano, Italy's largest medium-term credit institution.

His arrival there in October, as director general, is one of the most important personnel changes in Italian finance this year. His new role gives major operational responsibilities to a man whose intellectual grasp of economics and of international banking and finance is second to none in Italy. Working in tandem with Luigi Arcuti, IMI's highly respected president, Mr Masera's task is to find a role in the 1990s world of global finance for IMI's already considerable investment banking and securities operations.

With a primary capital at March 31 of L14,969bn, a loan portfolio of L124,581bn and funds under management of L20,000bn, IMI is the most diversified of Italy's state-owned merchant banks, with a "democratic reach" through a force of 3,500 securities salesmen, which far exceeds the more exclusive, all-powerful Mediobanca.

Yet in some ways IMI remains curiously anonymous, partly because it has 40-odd operating subsidiaries, and partly because it has not marketed itself with that much panache.

This is one omission which the new courteous, quietly spoken director general intends to rectify. IMI, he says, has not been taken as seriously as it should have been, although he acknowledges that its very complexity makes it difficult to explain.



Mr Rainer Masera

trading and management consultancy.

Only a few weeks into his new job, Mr Masera is still learning the business, but it already seems that an expansion of IMI's commercial banking activities, currently based on control of Banca Montedison, may be at the heart of his future strategy. He acknowledges that IMI must have a role to play in restructuring Italian banking through mergers or acquisitions, and believes that access to a deposit base and to a daily relationship with corporate clients could be an immense strengthening of IMI's activities.

He also sees a variety of collaborative alliances with foreign institutions as a necessary response to the globalisation of markets which will strengthen IMI's investment banking and allow it to become a major seller of foreign securities in Italy, whose private investors enjoy the highest rate of personal savings in the world.

Mr Masera's friends believe he left his post as director of economic research at the Bank of Italy because further advancement there appears to be blocked for the time being. He says that he wanted fresh challenges, and confesses that his work at the central bank was becoming "routine".

His role at IMI gives him a platform of experience from which to preach on some of his priority subjects, such as the need for more decentralisation of financial services, which should be regulated at a European level after 1992.

The academic-turned-businessman is also excited by the opportunity to return to some university teaching, and has accepted a professorship in international finance at prestigious private Luiss University. One wonders how he will find the time.

John Wyles

ITALY'S TOP TEN BANKS												
Rank	Bank	Assets (\$m)		Pre-tax profits on assets (%)		Capital/assets ratio (%)		Pre-tax profits/employee (\$)		Rank		
		1987	1988	1987	1988	1987	1988	1987	1988			
1	Banca Nazionale del Lavoro	96,072	2,894	198	42	0.23	0.52	46	3.01	5.38	43	6,923
2	Istituto Bancario San Paolo	73,477	3,157	820	21	1.16	1.39	39	4.30	3.98	19	44,975
3	Monte dei Paschi di Siena	67,183	3,872	na	na	na	na	25	5.78	5.95	na	na
4	Banca Commerciale Italiana	62,539	3,262	443	30	0.70	0.87	27	5.38	3.98	32	20,751
5	Banco di Napoli	59,343	1,001	98	43	0.18	na	50	1.99	1.87	41	7,211
6	Banco di Roma	56,361	1,404	24	44	0.04	0.26	48	2.49	1.62	44	1,807
7	Cariplo	53,891	3,408	817	14	1.59	1.86	22	6.32	5.97	8	77,238
8	Credito Italiano	50,448	2,832	192	37	0.37	0.80	33	5.02	3.55	38	11,072
9	Banco di Sicilia	31,140	1,480	109	39	0.36	0.26	36	4.75	4.28	37	11,116
10	Istituto Mobiliare	23,836	2,940	774	1	3.41	na	3	12.33	10.53	3	329,870

Unconsolidated figures for year end March 31 1987. Source: The Banker

THE CASSA DI PRATO AFFAIR

# Test case for rescue fund

IN 1982 the corpse of Roberto Calvi, chairman of the Milan-based Banco Ambrosiano, was found hanging beneath Blackfriars Bridge, in the City of London.

The bank collapsed not long afterwards with \$1.3bn of missing funds and the tale of fraud and underworld dealings that subsequently emerged made the Ambrosiano affair Italy's biggest and most bizarre post-war financial scandal.

At the time of the Ambrosiano crash, the bank's depositors were left unprotected, and talk began of the need for Italy to invent an insurance fund similar to America's FDIC.

In 1987 the Deposit Guarantee Fund was finally launched in Italy, with L1,000bn of capital that was contributed on a pro-rated basis by the nation's 1,100 banks.

Last month, in the first bank crisis since the fund was started, an emergency L1,000bn rescue was mounted for the Cassa di Risparmio di Prato, a Tuscan savings bank located in the town of Prato, a textile centre not far from Florence.

The Cassa di Prato affair, apart from representing the worst single crisis to befall an Italian bank since Ambrosiano, is a seminal test case for the new Guarantee Fund.

The rescue has been mired in controversy, and at the time of writing there were reports of judicial investigations into suspected fraud, and plans by a group of small shareholders to bring a civil lawsuit against the Bank of Italy, alleging negligence by the central bank's supervisors.

While the Prato affair con-

cerns a bank that was much smaller than Ambrosiano, and while it does not have the international implications of the Calvi affair, it is nonetheless an important harbinger of how well the Italian banking system is able to safeguard individual institutions - and depositors - when a crisis occurs.

The Bank of Italy sent three inspection teams to Prato between 1986 and this year. In the Spring of 1987, clearly concerned about bad debts from

The affair is a barometer of how well the banking system is able to safeguard individual institutions and depositors

the less-burdened local textile industry, the central bank forced the replacement of top executives at Prato. Problems mounted, however, and last January the central bank put pressure on other Tuscan savings banks to inject L200bn of fresh capital into the Cassa di Prato.

This September, with the bank teetering under L1,400bn of bad debts, of which L747bn are unrecoverable, fear spread among savers, and a run on deposits saw Prato's total deposit base shrink by 25 per cent. As the crisis worsened in September, the central bank finally sent in commissioners to take over the Cassa di Prato. Critics have said that the

central bank's *Vigilanza*, or supervisory division, did not act quickly enough. A lack of detailed information about Prato means it is too early to make any judgments about how well the central bank's supervisors have handled the affair.

As for the way in which the lifeboat was assembled, it is possible to draw some preliminary conclusions. The original rescue plan favoured by the central bank and senior members of the Guarantee Fund (which is chaired by Mr Francesco Bignardi, a veteran 68-year-old banker who heads the Bologna-based Credito Romagnolo) would have seen the new fund putting up L650bn of the lifeboat, with savings banks stumping up a further L350bn and a pool of six national banks supplying the remaining L100bn.

The original rescue plan failed because several banks, including the Banca Nazionale del Lavoro (BNL), balked at being called upon to provide additional capital beyond their pro-rated subscriptions to the Guarantee Fund. In particular, some bankers objected to the fact that the Guarantee Fund would end up owning control of Prato.

In the US, when the FDIC moves in to rescue a bank, it does, however, become an effective shareholder. Perhaps in Italy the fact that Prato is the first test-case for the fund means that Italian bankers are simply not used to the mechanism as yet.

The reluctance of banks to join in a lifeboat is not unique to Italy. In October this year

several French banks balked at participating in the rescue of the troubled Al Saudi Banque, which was eventually saved by a group of commercial and investment banks. France, however, does not have an FDIC-style fund.

The Bank of Italy is keen that cash-rich banks, such as IMI, Credito, San Paolo, Cariplo or BNL, should in any case take over smaller institutions in need of capital. This says the central bank, would help the process of restructuring the banking system, and would introduce more competition into regions of Italy that are traditionally dominated by local savings or agricultural banks.

In the Prato affair, the central bank appears to have been unable to impose its will on other banks, which raises questions about both the Bank of Italy's overall authority in the system and about the willingness of banks to join in a process of rationalising the system.

The Prato affair thus raises more questions than it answers. The prospect of judicial investigations means that, as often happens in Italy, this particular story will take time to unravel and may never be fully clear.

The institutional issues raised by the Guarantee Fund's first-ever lifeboat are important for the treatment of future bank crises. The Prato affair must thus be considered an experiment for the Italian banking system, and a costly one at that.

Alan Friedman

RETAIL BANKING

# Oiling the clearing system

ONE DOES not need to be a McKinsey banking analyst in order to appreciate that a continuing deficiency in the Italian banking system is the generally poor level of service for retail customers.

Any tourist who walks into an Italian bank encounters a swirling sea of humanity (customers) clamouring for the attention of clerks, a lengthy wait to be served, and frequently the charging of commissions for cashing cheques which, under the Eurocheque system, should be free.

The Italians, having no other experience, are accustomed to the sight of low-paid clerks who tend to smoke cigarettes, flirt with their colleagues, make telephone calls, or simply ignore their customers. But even the locals tend to be frustrated by the lack of a service mentality.

As Italy's predominantly state-controlled banking system tries hard to be more competitive, attempts are being made to improve customer services. But the system has several in-built inefficiencies which seem unlikely to be addressed in the near future.

These include: the civil service status of state bank employees; the difficulty of restructuring banks by means of redundancies; and the clumsy manner in which banks have got used to earning a float on the back of cheques that take up to a month to be cleared.

Italian bankers admit that in an ideal world most banks could function well - and even better if between 20 and 30 per cent of the staff were

made redundant, almost a political impossibility.

Banks have been spending large sums on automation, installing terminals for clerks and cash dispensers for the nationwide Bancomat system. Unfortunately the new technology is often "thrown" at the bank branches in an unco-ordinated and inefficient manner. Labour-reducing computers are often introduced without labour reductions.

The most serious obstacle to a smoother system is the poor state of cheque-clearing. But with the urging of the central bank and several top bankers, a new clearing system was launched on November 16. If this works well among the 200 banks involved, it will be expanded to include more of the nation's 1,100 separate banking institutions.

The central bank, working with the Association of Italian Banks (ABI), aims to reduce the time it takes to clear cheques between banks in different cities from an average of 28-45 days to nine working days. Until the experiment began last month, all such cheques were sent between banks by post.

The new clearing system has the co-operation of 200 banks operating in 40 cities, where Bank of Italy clearing rooms will attempt to sort out delays. What is astonishing, according to those involved in piloting the new system, is that a number of bankers have complained of the additional "cost" associated with offering a faster clearing system. What the bankers mean is that, if

cheques are cleared in a matter of days rather than weeks, they will lose the interest income earned on the float.

The Bancomat system, meanwhile, is in some ways actually one of Europe's more advanced cash dispenser networks, in that it allows customers to use their cards at the automated teller machines (ATMs) of numerous different banks up and down the Italian peninsula. The problem is that not all the banks that were pledged to abide by Bancomat rules are doing so, and one frequently finds one's card rejected by a machine that serves only its own customers.

At the end of the day, say

Italian bankers, a "cultural change" is needed in the way the individual retail customer is seen by top bank executives.

As was the case in Britain only a decade ago, the issues related to retail banking - as opposed to the more glamorous areas of corporate or international banking - are often looked down upon by top bankers. The boom in retail services in other countries has taught bankers that, aside from improving efficiency and reducing cost structures, lucrative fees can be generated from value-added retail services. This notion has not yet taken root in Italy.

Alan Friedman

# Bank stands firm

Continued from Page 1

argued that banks could be protected from abuse by industrial owners if strict limits were placed on the flow of loans to the selfsame industrial concerns. The central bank, however, does not appear convinced by this.

The door to industry is, however, already ajar. Mr Ciampi says he does not object to industrial companies owning up to 15 per cent of banks, and both the Agnelli and De Benedetti groups are already indirect minority shareholders in two major private banks - the former has a stake in Nuovo Banco Ambrosiano (held by Gemina), and Mr De Benedetti leads a coalition that controls Credito Romagnolo.

The manner in which this issue is resolved could have important implications not only on the bank ownership front, but also in terms of how Italy's big industrialists allocate their financial resources in the 1990s. Many members of the Italian financial world fear, meanwhile, that precious time and energy is being wasted on the debate.

Critics of the current debate say that Italian industrialists such as Mr Romiti could better use their time and company cash balances to concentrate on achieving Europe-wide economies of scale, while the Italian central bank could make more efficient use of its resources to press for priorities such as faster cheque-clearing, a stronger interbank market, and more cuts in public-sector spending.

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